September 12, 2023 Minority Depository Institution Advisory Committee Minutes

Depository Institution Advisory Committee (MDIAC) convened its hybrid (in-person and virtual) meeting at 1:00PM Eastern Daylight Time on September 12, 2023. The meeting was open to the public, as required under Public Law 92-463.The committee members, Office of the Comptroller of the Currency (the OCC), management external panelists and staff attended largely from OCC Headquarters in Washington, DC. Public observers and some OCC management and staff not in OCC Headquarters attended virtually from around the United States.

<u>Committee Members Present:</u>
Jamie Aller, General Counsel, The National Bank of Malvern, Malvern, PA; John Hou, Chief Executive Officer and President, Asian Pacific Bank, San Gabriel, CA; William Hurley, Chairman, Chief Executive Officer, Chief Financial Officer and Legal Counsel, Southeast First National Bank, Summerville, GA; Jonathan Jacob, Head of Minority Depository Institution and Strategic Partnerships, Wells Fargo, Charlotte, NC; Jody Lee, Chairwoman, Southwestern National Bank, Houston, TX; Beverly Meek, First Vice President, CRA Director, Flagstar Bank, FSB, Troy, MI; Carlos Naudon, President and Chief Executive Officer, Ponce Bank, Bronx, NY (virtual); Joe Quiroga, President, Texas National Bank, Mercedes, TX; Kelly Skalicky, President and Chief Executive Officer, Stearns Bank, NA, St. Cloud, MN

<u>External Speaker Present:</u>
Dan Aiello, Acting Deputy Director for Policy and Programs, Community Development Financial Institutions Fund

<u>Management and Staff from the OCC Present:</u>
Jason Almonte, Special Counsel, Washington, DC; Charlotte Bahin, Senior Advisor for Thrift Supervision, Washington, DC; Terri Barger, Climate Risk Specialist, Washington, DC; David Black, Community Development Expert, Washington, DC; Julie Blake, Director, Banking Relations, Washington, DC; Karen Boehler, Deputy Comptroller for the West and Midwest Regions, Denver, CO; Emily Boyes, Counsel, Bank Advisory, Washington, DC; Chanis Brown, Community Relations and Minority Affairs Specialist, Washington, DC; Crystal Dully, Community Relations and Minority Affairs Specialist, Washington, DC; James Gallagher, Senior Deputy Comptroller, Supervision Risk and Analysis, Washington, DC; Janet Fix, Analyst to the Deputy Comptroller for Community Affairs, Washington, DC; Larry Hattix, Senior Deputy Comptroller for Enterprise Governance and Ombudsman, Washington, DC; Jasmine Talton Holmes, Special Counsel, Southern and Southeast Regions, Dallas, TX; Brian James, Deputy Comptroller for Risk, Resource and Examiner Development, Chicago, IL; André King, Assistant Deputy Comptroller, Chicago, IL; Ernie Knott, National Bank Examiner (Financial Analysis), East and Northeast Regions, New York, NY; Karen McSweeney, Special Counsel, Bank Advisory, Washington, DC; Terence Mack, Associate Deputy Comptroller, Southeast Region, Dallas, TX; Nicolas Nivison, Attorney, Enforcement, Washington, DC; Valarina Oliver-Dumont, Bank Examiner (Licensing Analyst), Chicago, IL; Erica Onsager, Counsel, New York, NY; Ancris Ramdhanie, Special Counsel, New York, NY; John Scarpa, National Bank Examiner, New York, NY; Andrea Shearin, CRA/FL Compliance Policy Specialist, Bank Supervision Policy, Washington, DC; Johnny Stanley, Deputy

Comptroller, East and Northeast Regions, New York, NY; Mallory Sutton, Assistant National Bank Examiner, Atlanta, GA; Vicky Vlahos, Analyst to Deputy Comptroller, East and Northeast Regions, New York, NY; Barry Wides, Deputy Comptroller for Community Affairs, Washington, DC

<u>Public Observers:</u>
Gabrielle Aryeetey, Chief Risk Officer, Key Bank; Michael Bailey, American First National Bank, Houston, TX; Michael Batts, Jr., MB Development Services; ShaDante Butler, Federal Home Loan Bank of Atlanta, Atlanta, GA; Maceo Clark, Vice President, Community Reinvestment, Eagle Bank, Lanham, MD; Yvette Downs, Bureau of the Fiscal Services, Department of Treasury, Washington, DC; Sonja Ellis, FDIC, Office of Minority and Community Development Banking, Washington, DC; Kara Magana Figueroa, Candide Group; Kase Lawal, Unity National Bank, Houston, TX; Kathy Gonzales, Legacy Bank, Murrieta, CA; Neil Grayson, Nelson Mullins, Greenville, SC; Kwanza Hall, Public Observer; Megan Hannigan, Legislative Director, Office of Gregory Meeks, Washington, DC; Kimberli Cavazos Haywood, Candide Group; Michael-Innis Thompson, Senior Vice President, TD Bank, Vienna, VA; Paul Kinnamon, Priority Bank; Kianga Lee, Independent Community Bankers of America, Washington, DC; Christopher Lewis, American Bankers Association, Washington, DC; Katherine Hurley Lugo, Houston, TX; Randolph Maxwell, Bureau of Fiscal Services, Department of Treasury, Washington, DC; Kimberly Medrano, Consumer Protection Financial Bureau, Washington, DC; Ray Mendoza, Vice President, City National Bank, Los Angeles, CA; Lu Ann Milligan, Vice President, Pauls Valley National Bank, Pauls Valley, OK; Mark Morales, Vice President, City National Bank, Los Angeles, CA; Paul Parks, Vice President, Broadway Bank, San Antonio, TX; Sara Reid, Public Policy Liaison, Fisglobal, Washington, DC; Betty J. Rudolph, Director, Office of Minority and Community Development Banking, FDIC, Washington, DC; William Sarvela, Director of CRA, Ameriprise, Minneapolis, MN; Samantha Sherrod, Community Affairs Specialist, FDIC, Chicago, IL; Terrance J. Smith, Manager, Financial Agent Oversight Branch, Bureau of Fiscal Service, U.S. Treasury, Washington, DC; Trish Spiess, Ameriprise, Minneapolis, MN; Jo Ann Stall, Senior Vice President, Bank of Oklahoma, Tulsa, OK; Morton D. Stanfield, Jr., Dollar Bank, Federal Savings Bank, Pittsburgh, PA; Jill Sung, Chief Executive Officer, Abacus Federal Savings Bank, New York, NY; Latrice Tillis, Community Capital Solutions, BMO Commercial Bank, Chicago, IL; Aman Tune, Forward Global, Washington, DC; Michael Vantrease, Legacy Bank, Murrieta, CA; Timothy Walters, Bureau of Fiscal Service, Department of Treasury, Washington, DC; Rhonda Whitley, Senior Vice President, Independent Community Bankers of America, Washington, DC; Sharon Zimmerman, Vice President, Woodforest National Bank

<u>Call to Order and Welcome:</u>
André King, Assistant Deputy Comptroller and Designated Federal Officer (DFO) called the meeting to order and welcomed the Advisory Committee members and the public. Designated Federal Officer André King discussed the ground rules reminding the members the meeting is held in a public setting and that minutes are taken and will be published. DFO King provided a high-level overview of the agenda while noting the Minority Depository Institution Collaboration Forum that will take place the following day. He noted changes in the order of agenda given competing priorities for committee members and proceeded to allow formal

introductions starting with OCC staff actively participating in the meeting. Each member introduced themselves, including: Karen Boehler, Deputy Comptroller for West and Midwest regions based in Denver; Andrew Moss, Director for External Outreach and Minority Affairs and also the Director for Project REACh; Ernie Knott, Financial Analyst; Charlotte Bahin, Senior Advisor for Thrift Supervision and support André in his role as Designated Federal Officer; David Black, community development expert in community affairs; Vicky Vlahos, representing Deputy Comptroller John Stanley, the deputy for the East and Northeast Division; Julie Blake, Director for Banking Relations and based here in headquarters; Terence Mack, Associate Deputy Comptroller; Larry Hattix, Senior Deputy Comptroller and Ombudsman, who also oversees enterprise governance for the agency and the Chief Risk Officer and oversee the OIG and GAO liaison role.

DFO King mentioned the bankers' introduction is typically reserved for when the acting comptroller arrives. Unfortunately, he won't be able to attend today but plans to be part of tomorrow's event. At this time, DFO King requests the bankers/committee members to introduce themselves: Kelly Skalicky with Stearns Bank out of Minnesota; John Hou, national bank in San Gabriel which is 10 miles east of downtown Los Angeles; Carlos Naudon, President and CEO of Ponce Bank in the Bronx; Barry Hurley, Southeast First National Bank in Sommerville, GA. The bank is a small rural bank in possibly one of the poorest counties in north Georgia and he introduced his daughter, who is on the holding company board that is 2/3rds female and she is an attorney in Houston, TX at Weatherford International, an oil and gas company; Jody Lee from Houston, TX at Southwestern National Bank; Beverly Meek with Flagstar, NA,; Jonathan Jacob who heads up Minority Depository Institution and Strategic Client Relationships at Wells Fargo; Jamie Aller from National Bank of Malvern based in Malvern, PA, which is a suburbs of southwest Philadelphia. The bank is a female owned bank with 90 something percent female owned; Joe Quiroga, President of Texas National Bank. We're in south Texas, right on the US-Mexico border, Hispanic-owned in south Texas.

DFO King addressed the committee to open up the discussion for roundtable topics. He presented a series of questions based on conversations with committee members to generate discussion; How can we highlight the successes achieved from interacting with other financial institutions as MDIs? How do we get credit for efforts outside of CRA? What does credit look like when engaging with an MDI? How do we better match MDIs with regional banks? Where are MDIs located? How do we better match MDIs with regional institutions in your backyard. Is there a role the agency can play to better align MDIs with regional banks? Each bank has individual characteristics and so maybe insight or a sense of what is a better match when it comes to the relationships with a minority, not a minority, but with a regional or large bank. And then what, is there a structure? What, what's the overall structure going forward for us to be able to reach all corners of banking to ensure that the large banks, the regional banks, the mid-sized banks, are meeting all pockets of the underserved? And is there a better structure for us to sort of develop to ensure that we're meeting those pockets, but also highlighting those success in the initiatives that have been made to date? He asked whether the Advisory Committee members have any thoughts or input or just response to some of those items that were discussed previously? He said he would be interested in any thoughts on that.

A committee member states, “To elaborate a little bit on one of the items. For us we're invested in four MDIs and through M&A activity, we doubled the number of MDIs that we're engaged with. But quite frankly, when we look at our footprint, there's only maybe two or three of them that overlap our footprint. So it's easy wins for us because then we can collaborate and really help the community as well as helping those institutions by working together. So that question came out of how do we really have impact with the MDIs as we're investing in them and how do we collaborate and really get credit for what we're doing? And what does that look like? What does success look like? Because I feel like we're not really highlighting some of the wins. And when I look at the mission of the MDIAC OCC, it talks about how do we strengthen MDIs and help them grow? And, I think there's another mission too, and how do we work together to meet the needs of our underserved communities. So just trying to look at that holistically and how do we address that from a structure perspective.”

A committee member states, “Can I elaborate on that? I continue to hear as I go around the country talking to non-MDIs that want to support the mission, I continue to hear folks say, well, yeah, but you know, our markets don't align and things of that sort. So I think to the extent that the OCC could come out and publicly state, because I think it's been said here, and I hope I'm not out of, out of bounds, that any investment in any MDI across the nation would support CRA activities. I don't know that that's being communicated enough. And if that is the case, it continues to be the mission and that way we put it out there and everybody understands it clearly. If that is true, we get credit even though it's not within our markets, but what does real impact look like and how do we align that when our markets don't really overlap, I guess that is the challenge for us.

A committee member states, “Andre, I've had two conversations with two different banks in Georgia, and one is a national bank, and then the other is a state bank. But I actually connected up the national bank with the community development officer from OCC’s office in Georgia. And of course, their question is, you know, what type of credit do we get from OCC or what’s their perspective if we do transactions with this MDI? And, matter of fact, I called them before I came up here and I said, how did your conversation go? And, were you clear after that meeting as far as what type of credit? And the CEO of that institution said, well, no, not really. You know, it wasn't really clear what kind of credit we would get from OCC perspective if we did some transactions with you all. Um, so I mean, I, you know, is there some way to get clarity to these institutions as far as, you know, what, what will the benefits be if they do business with us?

A committee member states, “This is Kelly Skalicky from Stearns Bank. I also think that we have to go beyond CRA, I think it's just good for community banks to partner. I think project reach where we can profile the successes. I thought your first annual report was really impactful to celebrate the wins. But I will say our assistant district comptroller did a terrific job getting her 26 banks or so in her portfolio. And she just facilitated a little bit like this, a meeting and invited all of the banks within her exam area. And from there as bankers, it was just to facilitate us getting together and then we've taken it from there. We've ended up doing other participations partnership coming in. You know, we're a relatively small bank at two and a half billion. We've been able to come in and do participations with other banks. We've done investments outside of our area, monetary investments in MDIs. Hopefully de-novos that are coming aboard because supporting each other at our size, I think brings more than just CRA, it should go beyond that because it's the viability of all community banks. And until we show some leadership and not just focus on what credit we're getting, CRA credit, if you're doing your basic CRA in your communities, you should be getting extra credit anyway for those things you're doing. But I think having a broader perspective as bankers and community bankers, which is what this is about, I think the OCC goes a long way and providing this forum for us to then take it to the next level. We felt very supported in doing that. And I think, again, providing that forum for the bankers to get together, then I think it's on us to actually be open enough to partner. We've been trying to do right by running our portfolio in their area to see if they want to invest in some of the deals we have and vice versa. We're not losing really good loans because we're just not big enough, so we partner together. I think a broader perspective beyond CRA, I think is really essential for all of us to adopt and lead.

A committee member states, "Can I ask a follow up? How did you get comfortable outside of the recognition that has been the topic of discussion?" In response, the committee member states, "Well, we get comfortable because we learn a lot, right? We learn a lot. For example, we've been working with in our area in Minnesota Islamic financing is really needed, you know, Sharia compliant financing. We couldn't get our arms wrapped around it. We've partnered with banks that's all they do. We've been able to bring them to the community, not because we get credit for it, because our community needs to be served, right? Which ends up to be, as you build businesses, you build deposit, you build community up, even if you're not doing the lending. It's just good for everybody. So that's why I think that, you know, just broadening our perspective as business people and our mission I think is really important. I think it takes a lot of trust for bankers to know we'll come in and participate in a loan. You're leading it. Customer doesn't have to know that we're funding behind it because it helps them, it helps us. But more than anything, it grows the economy wherever it is. I think that all of us are national banks, so we should take that. And for us, we've learned a ton by partnering with other banks that do it in a different way. So I think that, you know, even though we have some capital, we have some expertise, other people do, they have a lot of expertise that we don't. It's provided us an ability to broaden our skills too.

A committee member states, " I want to follow up on something that Kelly said, because I think she's absolutely right, this goes beyond CRA, but I think for most banks, especially banks that are, have issues with CRA or just they don't understand the breadth of MDIs, CRA is that first step. And so my question, and it's a very simple one, is do we have anybody in the room from the OCC that can just definitively say any investment deposit otherwise in any MDI across the nation would give them CRA credit? Because I, think there is a misconception, well, Joe, I'm looking you not on purpose, but…"

Director for Minority Outreach Andrew Moss states, "That's why I was going to jump in here. We're still in what we're technically calling the open rule making period, so we're not able to speak on anything regarding the final rule at this time. But getting back to the point what Kelly was raising, when we kicked off this collaboration paper and and the first MDI collaboration roundtable, that was what, if you remember what Toney, when he was the SDC for our community banks, the focus was let's do it beyond CRA because CRA is more transactional. He wanted to make the relationships between larger banks and the MDIs more of that connectivity and partnership that he saw, because there's that correlation and interconnection between our largest institutions and the smaller ones that we supervise. And so our focus as the agency is to make sure that all of them are thriving and have that type of like preservation throughout the safety and soundness, and making sure they have the proper risk management, strategies and appetites in place so that we can ensure that our role as your regulator is continuing and that we still have the institutions that are very important to the communities that we're supervise, that we're supporting them as well. So I, we can't, again, getting back to this, again, we can't really say anything about CRA at this time definitively, but hopefully it will be something soon. And I know that there's a lot of interest around it, and we just ask you to please be patient until that information.

A committee member states, “But, there's other priorities that banks have, you know, concentration levels, right? Too much CRE concentrations. There are banks that could take on some of that through participations, and they have C&I lending. So you could do that and manage your concentrations if you are open enough to partner with other banks, right? And it can be a participation. You can retain servicing, everything else, but you're not in it alone and you don't always have to look to the regulators. I think it's really important that we take responsibility for our community banking and partner better and not be so territorial because the world is changing. And until we learn to partner together and partner better, that is our opportunity to be stronger. So I, I think there's a lot of things we can solve together, and it's not going to be just a change of CRA. Yeah, that might help, but then it's going to be driving the priorities to be very narrow rather than the collaboration that we should really be seeking with each other.”

Two committee members engage, “Can I jump in quickly? I was just going to say, Kelly, I love your mindset and that's the mindset that I wish all of us had. A couple kind of questions who, you said that you had a meeting that was organized by someone that was regional within the OCC? Yeah. Who was that?”
“Well, that was Sally Merrill's our assistant Deputy Comptroller. So I don't know whoever is yours…”
“She's the assistant deputy controller for your region?”
“Yeah, she is, but she has 26 some banks within her area so she just put out a call to her banks if they wanted to meet and collaborate. And she really just provided the forum and facilitation of the bankers getting together and then we took it from there. “

A committee member states, “I think absolutely that would be beneficial for things that make sense to sort of collaborate on a more of a local level. I know, for example, our bank, like we know our footprint, that's where we went. We don't lend outside of our footprint. And so for us, that would be terrific. I think there are other things, like for example, Flagstar has been so wonderful to deposit funds with us and something like deposits, it doesn't necessarily need to be a bank that's local to you. One thing that I've been sort of struggling with and I think beating my head a little bit against the wall and kind of frustration, but it kind of comes back to this whole CRA thing, is that at these bigger banks, actually there's one particularly in our footprint that we would love to work with. I've been trying for a couple years now, and I think Bill Haas had kindly initially sort of introduced us to the regional bank, and I think it was the CEO of the bank and then I think we got handed off to whoever, um, the head of the bank who cares about CRA. I think somehow we discussed that we were maybe interested in loan participation. So we get handed off to the lender, well, the lenders don't care a thing about CRA or supporting, you know, minority owned banks or female owned banks or anything like that. So I feel like now I'm like two years in and still don't have many real estate loan participations. Meanwhile they have dozens of branches in our county and they still in several years have not had a single real estate loan, you know what I mean? So I feel like it's challenging because maybe at like the more senior levels, people sort of understand the benefit of working together and collaborating. But then I guess probably like, for example, on the lending side where maybe the lenders are compensated based on sort of dollars and cents, and any sort of broader or more sort of community minded thinking kind of goes out the wayside, and they don't want to give up their return they're making on their loans versus whatever they'd otherwise be to the extent that they participated a loan to us, for example. So I do feel like that kind of tends to get lost in translation and as it goes from sort of the top down but I love that idea of a regional meeting. And I think that would also help enforce too, kind of more regional banks, the importance of this as opposed to just sort of these meetings in Washington where it's banks around the country are invited."

A committee member states, "I think the message is continue to press. There's still a lot of work to be done, right? And, just to clarify on the CRA piece, I wasn't trying to get into the new CRA metrics, which I understand why we couldn't opine on that, but I guess I was under the understanding, maybe I was wrong, that the current CRA rule that is in existence today would allow other banks to sort of get credit, but maybe not. Is that so? I thought it did, and it depends on which way, because the 2020 rule was rescinded, right? But I think there were nuances in that rule that did not allow MDIs to make investments in the MDIs. And there were some other things, but there was also the in and out rule. So I think those banks that were able to give the investments within their footprint got that consideration first. So that's where things have been changing and how we're trying to like see what comes out of this new rule. I think the other sort of big elephant in the room is, I mean, this liquidity piece. I think, you know, as I stand here today versus a year ago it's just a whole other landscape, funding cost number one, but just the downstreaming of larger banks and larger bank deals going to the community banks is eating up our liquidity in a tremendous, you know, uh, fashion. And so if you're not in a liquidity crunch today, you probably will be in a few months. And any excess liquidity is sort of getting eaten up. And so I, I think, you know, even something as simple as check off the box for credit for a million dollars out to a small minority institution is worth a ton of money today. Just from a funding cost perspective at five point a quarter, five point a half percent. So I think that conversation needs to be resurrected because if we're not, if all of us in the room aren't there yet, we probably will be in the next few months. It's just that much of an issue. Totally different from a year ago."

A committee member states, "Andre, couple, couple comments. Just to tie out with a couple of points that the committee members made. Um, I'd agree with Kelly's comment that at our institution we're in touch with our CRA team about what we're doing in the MDI space, but it's certainly not setting our strategy. We set our strategy of how we work with MDIs independent. We thought about, very similar to Beverly's comment, we made our equity investments in 13 institutions. We thought about where we had boots on the ground where we had internal and external stakeholder relationships. So it was important where we could do more than just an equity investment. We knew it was important, but that was significant in how we set our strategy. And each investment went to the top of our institution. So it was here's the strategy, here's how we need to be able to execute on the equity investments. Now we continue to work through loans. It's not cut and dry because people have different buy box and there'll be certain loans that work and don't, but we continue to work on that. The other piece may be very similar to what was described about the forum facilitated by the OCC. I had the opportunity, it was last spring, to join the LA project reach meeting. So as more of those sessions come together, that was an opportunity to plug in with a number of MDIs in that area."

A. Moss states, "Thanks, John. Well, you guys kind of like jumped the gun for me, but I met with my team this morning, the Project REACh team. So we are going to be planning regional convenings and we will have those types of opportunities that Kelly has mentioned for our MDIs as well. So stay tuned. But that was just one part of the project reach update for the MDIAC"

A committee member states, "Last week I attended MDI the technical assistance for risk management and it was a very helpful and efficient."

A. Moss states, “Thanks, John. I'll explain, we'll have a few more technical assistance sessions for the MDIs as well with our Project REACh convenings, which will be virtual. Well, Andre, I guess I might as well do it now. So as far as Project REACh, our Project REACh revitalization efforts, we are planning to have more of those round tables, virtual round tables and information sharing on topics that are of concern to MDIs. We just recently hosted one last week with Ernie Knott on talking about commercial real estate risk management strategies. We're going to have one coming up over the next two months because we don't have them in December. But we are planning to have one on our climate risk office to give you an understanding of the structure and focus of what that's going to be doing. Even though it's not applicable to MDIs at this time, to give you an understanding of what's coming. Secondly, we know that there's a new CDFI certification process that's going to be starting up. So that's going to be another session that we're going to bring in once that's been finalized in October. So those are two of the upcoming sessions that you'll hear about. And then, lastly with our innovation subgroup, there's been quite a few discussions around how we can have more individualized meetings and convenings with the core providers. Sarah from FIS is here and Fiserv and Jack Henry have also contacted us about convening with their respective clients to talk about ways that they can help resolve some of the challenges that cores are having with the MDIs. And then lastly, we are going to be working with the National Bankers Association and they're going to be launching what we call the MDI Technology Playbook, which is a piece that accompanies the interagency guidance on FinTech partnerships that was put out in 2019. This playbook document will be sort of a self-assessment for MDIs to look at their own technological infrastructure and what types of resources and attention they need to provide to internally so that they're able to remain competitive or look at ways that they need to upgrade or update their actual technology infrastructure so that they're able to continue to offer the bells and whistles to their customers. So that's coming up with the MDI revitalization work stream on Project REACh. So guess we knocked that out kind of early too Andre.”

A committee member states, “To you, Andrew, and I’ll also talk about the cooperation. It's good to go beyond the CRA, but I think in the past we encouraged the larger bank to put CDs with the MDI, I think that is the easiest way, the first step, right? So we can get to know each other, we know the people in other bank, and that is no risk.”

A committee member states, “There was another point that you had made in the beginning of what you shared, which was sort of kind of documenting the different successes that have transpired. I think that that's especially valuable because I feel like the first time two banks sort of partner together to do something, you're sort of figuring it out and that's the most effort. And then to sort of duplicate that and duplicate that and quad duplicate that, it becomes easier and easier and easier. But I think sort of that first kind of partnership that kind of is successful and then sort of documenting that, I think it's been helpful for the other MDIs. For me, for example, and for everyone else in this room, they can hear and say, oh, you guys did this and we'd love to do this too. I'll give an example. Joe, the last time we were at this meeting you told me about some conversations he was having with Sarah Reed over at FISs and I said this all sounds wonderful. So I then reached out to Sarah, myself, and now we're having conversations with her as well. But that was thanks to me hearing about Joe's successes and what he'd done to sort of make some forward progress. So I, I don't know how like, kind of the best way to do that. I mean, I know sometimes you have sort of reports in which you'll document programs and things like that. But I do think it's really helpful for all MDIs to hear about those specific successes and then say, Hey, me too. I mean, is the project Reach going to put out another report because I know you had that initial publication for the first annual, I think that was helpful."

A. Moss states, "And, you know, there is a new addition coming out of that as well."

A committee member states, "And so, you know the technology group that was meeting, because we were really involved in that playbook too. Um, Native American Bank was involved and someone from our shop was involved. But to put it out through the National Banking Association, I mean, that really makes sense because I know that there was some hesitation because the OCC can't, you know, put something like that out. But that playbook is really best practices of how to vet technology and really what you look for in this. And I mean, we really, again, learned a lot by that collaboration. But that was came out of this OCC technology group even though it's going to be pushed out through the NBA. So, again, I think the regulators can do so much but then publicizing the best practices. But then again, it's on us to get together and do our work together and then execute on it so they have more success stories to share.

A. Moss states, "You know, the other thing is it's from these types of meetings and the Project REACh meetings that we're getting the ideas and the concepts and the innovative approaches to what we can do to help with the MDIs that we are supervising. So, uh, another thing that has been discussed recently is the development of a secondment portal for larger institutions that may be able to lend an executive or a subject matter expert to an MDI to help them build up a particular business area or something like that. So that's something new that's coming down the pipe, that's coming out of the Project REACh MDI efforts."

DFO King states, "And Jamie, I think your point is important because like I said, I'm learning and some of this stuff is new to me, but sitting around during the last meeting and even attending the meeting last year, you saw during the breaks and during lunch, that's when the true conversations started, oh, I done this, this is what I did. And I'm sitting here thinking like, well, why don't we share it with the world? So challenge accepted. Because Beverly M. mentioned the same thing earlier today. It's like, how do we highlight and promote the successes? And, and maybe we have to sanitize the information and not say Jamie's bank did all these wonderful things. But I think having the opportunity to see what others do can definitely inspire the crowd and maybe prompt more actions when it comes to this particular conversation in this space. So challenge accepted and notes are being taken but we'll have to get you all to share the stories, right?"

A committee member states, "I also think a lot of the sort of, and this is also kind of gets to like a non CRA component, but I think, and I mean I love Citi, they're great, no offense, but like, I think that was like a tremendous sort of pr opportunity, you know, oh, we're helping these community banks with their ATM network they were on the cover of. And I mean, it's separate from sort of CRA credit, which I'm sure they have 10 million ways they can do that. It was just great getting their name out there. They were supporting this initiative."

A committee member states, "So that's my challenge to the group. Are we, are we an open session now, like live group? No, no, there's, there's a couple things I'd like to bring up, but I don't know that it's in live session that we should bring it up. And so I'll wait on those comments for later, if that's okay with the group?"

DFO King states, “Yeah, this is live. Uh, any other thoughts? And again, we'll have time at the end of this meeting to have another round table discussion. I appreciate you all sharing your thoughts and being engaged and the challenge is not only today, but tomorrow as well. We can talk a lot. It sounds good, but next time we meet, let's have stories to share. Put the pressure on us to promote the activities that you all are engaged in. And so that's the challenge I want to express to you all. And I'll, I'll do the same tomorrow with a group of individuals that are part of the event tomorrow.”

A committee member states, “I will say this back to the OCC, there was a point in time maybe a couple of years ago where as an MDI there was definitely the message being sent down through the ADCs, the ADC in my region reaching out saying, Hey, what could we do? How could we do this? I'm hearing about partner because a lot of the, especially the examiners, they're clueless to MDI, CDFIs, and who they really are, and that's not a bad thing. I mean, I know we're all in different segments of the US, but I think if the OCC can continue to impress that onto the ADCs to say, Hey, there are partnership possibilities and this is how we can do it. And just continue to spread that internally especially to the large and regionals. I know they've been sort of battered lately, but there's a lot of willing people, and I think we've seen a lot of success stories in some of the nationals reaching out and, and some of them just don't know how to do it because who they are or who we are. I would just continue to echo that. It's not a one time and then it kind of falls off, almost needs to be continual so that we can reach out to the Jamie's and the Joes and the Jody's of the world. Right.

DFO King states, “And that's an excellent point, Joe as well. Charlette and I been having several conversations about how do we engage and inform the staff because it's only a select few that are overseeing this particular process. So, we can't reach out and tap on each one of these institutions to say, Hey, this is what's going on in the MDI space. Whereas if we have better messaging internally, and I take that as OCC challenge as well, to ensure that the local presence understand what you all's mission are as an MDI, and also provide you all insight in regards to some of the activities, services and products that will further help you all in the mission.”

A committee member states, “So I would say, every examiner in charge that has an MDI, I mean they should be on today's call, simple. You know, they should be hearing this directly from us so that they, because there's a lot of passion in the room, you know, both large banks and MDIs, and if and if they're not participating, and that's a missed opportunity to replicate that.”

A committee member states, “I would say most of our examiners don't even know that we're an MDI and don't really know what that is or what that entails. I remember I was so pumped up at our last meeting about all your wonderful successes, Joe and I came back and we had our exit meeting, and I was sort of sharing with some of them and they almost looked like terrified. Like I was like, oh, you know, they've been able to have this opportunity and that opportunity. And they were sort of like, well, you need to sort of stick to what you know, and they were almost scared of the things that I was sharing that you were doing a lot of, which I thought was really cool. And then I was also discussing with them, and I haven't really made any headway on it, but just sort of various opportunities through the Bureau of Financial Services, sort of partnering with them. I haven't still quite gotten my head around how as a sort of smaller MDI we could sort of be participate in some of those different programs. I don't know that any of it was particularly well received, but like I said, I don't even think they know that we are an MDI or know what there is to know.”

A committee member states, “Well, a lot of them, I mean to their defense, they just don't have enough scope, right? They may have one in their region, and so they themselves haven't been able to. There was one examiner say, well, you know, Jamie's bank is doing this down in that area and Kelly's doing this and whatnot and for them to talk as well. Because how can they bring value to us if they're not aware of what's going on. It may be an opportunity for sort of an internal messaging about we're certainly doing some good things. I know there's other banks around the country that are doing much, much bigger things and I lean on them and say, okay, what are you doing? But a lot of this is the partnerships, right? And that we build amongst each other. Yeah. Joe, you're not talking about in this forum you're talking about in another forum for those EICs. Well, I would say the easy step is invite all the examiners in charge to this meeting. Because that's, that's an easy one right now, virtually even now. But then if you had a forum internally.”

A. Moss states, “Yeah. Now let me just say, I want to put on my old Beverly Cole hat on. When we started, when they started this, this was to give you like a forum to be candid and to be open without having your supervisory office here too.”

A committee member states, “I can appreciate that. So that's why I think it'll probably better to have that in a different forum where it's not so much focused on supervisory issues or supervisory concerns. It's interesting you say that, Andrew, because from when we first started having these discussions, and I'm talking now ages ago, right? There was a lot of supervisory issues. The last few meetings or years has been all about opportunities and what do we do? The tone has changed and I think that's a good thing. It's a good testament to this organization. And yeah I hear you. I just think that if it ever gets back to a point where we start talking about supervisory matters, that we want to keep those separate from a public forum like this, that could potentially be kept separate. That's fair. I agree with that. But there's a balance we can achieve if the EICs were invited to this meetings. So minus the individual supervisory concerns of each institution, there is an educational gap that needs to be closed from an MDI standpoint internally for the OCC and we can keep it within that bucket and keep the supervisory issues as an examiner in charge separate and focus on the mission of the MDIs.

DFO King states, “There's a balance that I'm certain we can strike in some form or fashion to educate the exam staff as well as continue to promote MDIs in this particular space.”

A committee member states, “The ADCs, at least the assistant deputy comptrollers, they sort of have a level up from that. But I love that idea of what Sally Merrill had and basically replicate that in regions around the country.”

DFO King states, “Do you all want to take a break? Up next is Ernie's presentation on the state of MDIs. And so if you all want to take maybe a five minute break as Ernie gets set up,”

<u>Community Development Financial Institutions (CDFI) presentation</u>
DFO King reconvenes the meeting and mentions the amount of conversations, business cards trading and networking taking place. The meeting was turned over to Dan Aiello, Acting Deputy Director for Policy and Programs at the CDFI Fund, for a presentation. The presentation provided an overview of the CDFI fund, the numerous programs offered and contact information. Below will detail any questions/conversations during the discussion. **<u>The presentation is attached for further details.</u>**

A committee member asks, “ What's the difference between the old and new application? “

D. Aiello responds, “I'm going to preface this by saying certification is not my area of greatest expertise. My experience is working more in the award program side and handled by a different partner, our office. But the goal of the certification effort is to modernize the CDFI certification application to reflect kind of the growth of the industry over the last 25 years. We haven't released it yet, the final version, so I can't speak to that specifically. But the criteria for certification have remained the same. What we're looking to do is ensure that CDFI certification is more efficient on organizations that can demonstrate that have a strong mission of serving low income communities and are providing activities and products that are responsive and responsible for those communities. So that's kind of the goals behind the effort. I can't unfortunately provide more detail than that, but there will be a lot of material released on this in the coming months as we roll that new application out this fall. So, I'd encourage you to look for that if you're interested.”

A committee member states, “Two comments. I guess the first one, to Jody's point, I know, and you maybe have heard this before, but just to kind of throw it out there, the new proposed criteria really hinders a lot of small community owned banks that are owned by members of the board, which is, you know, primarily small, small community banks. That's the structure. And I think one of the items on there was that you couldn't sort of serve on both purposes, you know, on both the board and have ownership and then participate as well. So, I just thought I'd throw that out there just as a general commentary. I know there's been a lot of discussion around that, and hopefully there's some action being taken on that for the new criteria. The second is just kind of a technical question. So I know ERP award letters have gone out, so to speak. Has funding actually commenced, or is that still in the process?”

D. Aiello responds, “ So we've begun counter signing assistance agreements in the past week or so we're doing that on a rolling basis. There's one person who signs the agreement, it is done electronically, but it's not an automated process. We're working through them as quickly as we can. I think we have asked folks to either, if you have an ERP award, sign your agreement by the end of this week, September 15th for request modification by that date. In which case we just put your agreement on hold while we considered your modification request, and then we sign that agreement on certification. You know, I appreciate your feedback. I know the certification team received a large volume of comments on the most recent draft, and they have been making revisions based on those comments. Based on the process we're using, we can't provide any additional information at this time. But, you know, those comments have been taken into advisement in finalizing the application.”

A committee member states, “In speaking to other ERP recipients, I know one of the questions was deployment obviously of those funds needs to be reported back. And, in some cases we've deployed a hundred percent of the proceeds. I know that the initial letters were like at 50%, for example, and I know the modifications are, Hey, I've already deployed this. Can we just get all of it up front? Is that feasible to do before end of year?”

D. Aiello asks, “End of the calendar year or end of the government fiscal year?”

A committee member answers, “Calendar.”

D. Aiello responds, “Year? Yes. That's feasible to do before the end of the calendar year. I don't know if it's feasible to do by September 30th.”

A committee member responds, “Okay. No worries. That gives us some time, we're just trying to plan for the rest of the year, so thank you.”

A committee member asks, “Why aren’t there a greater population of CDFIs that are national banks compared to maybe credit unions or other entities or is that due to any negative connotation?”

D. Aiello comments, “Why there aren't as many banks, as a general proportion, I don't have a specific answer on that. I mean, from an analyst standpoint, I would say, well, how many banks are there in the United States? How many credit unions, how many loan funds are there? And a lot of people start loan funds with the intention of being CDFI. So they're probably a little overrepresented. I know for a while we had, and Andrew may remember this from his time at the CDFI fund, there was some partnership with NCUA around certifying credit unions that was worked through that I think has helped increase those numbers over time. You know, I think we're interested, and when the CDFI fund was originally envisioned during the Clinton administration, that was based on his experience primarily with community development banks in Arkansas. I think we think of banks as, as an important players in the CDFI ecosystem. You know, part of the reason I’m happy to come and we're happy to be invited to meetings like this is to talk to folks and stakeholders in the banking industry directly to let you know that this is an option, this is something that you could pursue. And there are various benefits of that, both in terms of through the CDFI fund. And, you know, there's some different regulatory rules as well in some ways that I can't speak to as much because that's outside our purview.”

A committee member asks, “I have a question that may be a little controversial, but I'll ask you. So when ERP, for example, or for that matter, any of these programs come out and they're targeting banks, it's a leverage multiplier concept. We're injecting capital, therefore we're able to be 10 times both. And I've never quite understood why on the credit union space, I mean, it's not a multiplier, right? Unless I'm missing something. It's just a direct, and by nature they operate to almost a no profit standpoint, right? So, am I missing something?”

D. Aiello responds, “I think that we aim for leveraging with all of our programs. There are only the programs… I want to try to respond to your question, but not gloss it over. So, from an eligibility standpoint, only Capital Magnet Fund has a 10 to one requirement, and then the CDFI program for larger institutions requires also a one-to-one match for our award. But the other programs generally don't require a match, though, as part of the competitive application process. Folks often commit to increasing their lending by a certain amount so I'm not aware of any ways that different institution types are treated differently under those standards. If you read the Regale Act, which created the CDFI fund, which I do from time to time, I think there is a focus on kind of supporting the growth of organizations, and that's reflected in our program. Not all organizations always need to be growing all the time. So we do try to provide avenues through technical assistance awards or other types of program, under rules and requirements, to support kind of building capacity within the organization or things of that nature. And those continue to be things that we look at as a federal agency. You know, we run all these programs, all those programs were created by acts of Congress, and I try as much as possible to follow the law. There are goals within those programs. It's definitely popular to say for a dollar of federal money, you get $8 in investment over here. Like, that's a good ROI from the public standpoint. So, you know, that is something we encourage, but it's not something that we're trying to make rules for certain institutions over others. Like we're trying to keep the playing field as level as possible but that can be challenging given the way different institution types operate. So that's why we appreciate, like we try to use public comment processes. We try to use other things when we are changing requirements so that we can get feedback and folks in the banking industry can say, Hey, that may work for the loan funds, but that's not going to work for us because this or the folks in the credit union, you know, can provide similar feedback or sometimes the loan funds as well. So I don't know if that totally answers your question…”

A committee member responds, “It, it does, it goes back to, I guess, the congressional mandates as well. So I’m just trying to understand the why. Yeah, I get it.”

D. Aiello comments, “For some of our programs, that's like an explicit goal in the statute, and we're trying to manage that.”

Community Development Expert David Black asks, “Hey, Dan, I know the CDFI fund was looking to expand access to the new market tax credit program, particularly among minority CDEs and native CD CDEs. I was wonder if you can get any updates on that?”

D. Aiello responds, “So, that's a good question, David. Let me see if I have anything in my notes so I don't misspeak and I might not. So, yes that has been a goal. A few years ago we ran a technical assistance program where we hired a contractor and developed some trainings specifically targeted to minority CDEs to help them understand how to navigate and access the new markets tax credit program. And, and we've seen some, you know, favorable movement as a result of that. We did not see as much change with regard to the native CDE population as well. So about a year ago, or maybe a year and a half, we engaged a separate contractor to run a specific native CDE capacity building. So there are some workshops that were done as part of that. And then there's also various reports and written materials that is being finalized now and should be coming out later this fall. Kind of some of the fruits of those activities. Those are some of the efforts we've tried to undertake to increase access to the new market tax credit program amongst, you know, minority led CDEs or native CDEs over time.”

A committee member states, “And I'll say on that note, as I think you guys did a great job during ECIP and even ERP of sort of getting the voice out there, you know, sort of bringing people into your shop virtually to say, Hey, this is how we're looking at it. And just a lot of dialogue as OCC CDFI participant, we've been in this now eight, nine years, graduating up to that next level of new market tax credit is, is strategically sort of on our mindset. But we're kind of lost admittingly, you know, we're still trying to figure it out. And so to that extent, if, I know you guys have been really busy, so maybe after ERP and that sort of thing, if y'all could kind of have that same mindset of bringing those folks that are interested to graduating up, because I look at it as a two to three year mindset, rather than just apply next year and just take this step, take that step, and it really would help some of us sort of graduate up to that next level.”

D. Aiello responds, “Okay. Yeah.”

A committee member states, “I'll make this comment because 8, 9, 10 years ago, sitting in this room, the majority of the folks were in the room were CDFI. And I wasn't andd I knew, you know, without saying names, people really encouraged, you really ought to go look at this. And so that's why we took the step. So I would encourage those others. And Jody, I don't know if you're in the position or Jamie, or, but if you guys aren't, we're happy to be a resource to you guys as well to kind of show you how we did it. And it's been extremely beneficial to the bank from, from a growth perspective. So I would just encourage my fellow members and those that are listening, this is a good thing and they came out to this meeting, so I want to also acknowledge that as well."

A committee member asks, "I have a question for them. The BEA program, I looked at the numbers, and it seems like they apply only to the larger banks?"

D. Aiello responds, "Most of our, I was looking at this today, most of our BEA program recipients have been awards that go to small and intermediate size banks under the regulator thresholds. There is some incentive in kind of the score, the award sizing and evaluation to preference smaller banks and organizations as part of that. What's unique about the DEA program is it's kind of sort of a pay for success model. So it's based on your past increase in activity. If you increased activity in DEA and target distressed communities, which are pretty deeply distressed areas based on how they're defined year over year, then you're eligible for an award. It's really just a question so long as you can provide the documentation to substantiate that then it's really just a question of how large an award your size based on a formula that's laid out in the notice of funding availability. It is really a very different program than most of our other programs, which are forward-looking strategy programs and require narratives and things like that. This is really how much did you do? Do you have transaction documentation to substantiate your increase over time? And if so, there's a process by which those transactions are validated."

A committee member states, "I have a comment too. We work with a lot of CDFIs and we've been asked before why didn't you become OCC CDFI and, well, Minnesota, we have about 33 of them. So again, we've kind of chosen not to compete with the CDFIs who were already doing that kind of work. But, this was really helpful because the diversity of programs that not all CDFIs specialize in, in all these various programs. This been helpful too because we do a lot of affordable housing nationwide. We'll be able to go to some of them and maybe see if they're not using some of these programs or have access to some of these programs with especially with affordable housing. Okay, so if you're not OCC CDFI also as a bank, you know, partnering with, we've found a lot more expertise and it's almost a quasi-public private partnership with us. So, they've been very supportive of our work and then we're not competing with them in our communities as well."

D. Aiello responds, "Okay. Yeah. That's great. The other thing that I do, and I will talk to loan funds about this and that's about partnering with banks. And I'll say, you know, if you do invest in OCC CDFI, if a non CDFI bank invests in OCC CDFI that is something that can be eligible for a BEA award, which is just something to consider. And I'm like, sometimes that's an incentive. Get folks to invest in CDFIs. So, you know, I do think even if it's not, and I'm not going to be an OCC CDFI even if you are dedicated to lending in your communities, it may or may not be the right fit for everybody. You know, it's all about what your goals are and how much additional reporting you necessarily want to do. Because there are requirements around this that we need to monitor. There are other ways that you can work with CDFIs and partner with CDFIs. The ABA program is a potential way to get some grant funding from us as well. Even if you're just partnering with CDFIs and you yourself don't feel like that's the right fit for your organization so a plug on that."

A committee member states, "Well, over the last 24, 36 months, I mean the term CDFI has sort of meant something. I think all the capital's been infused into banks and other loan funds. I mean, I know you guys use the word transformative and that's exactly what it has been. So, you know, kudos to the job you guys are doing. I know there's been a lot of work and a lot of money thrown that way and a lot of programs to administer. But it's certainly been very helpful to my institution."

D. Aiello states, "I'm happy to hear that for folks who are considering looking at certification, this is like a decent time to start. Because we are going to launch this new application this fall and so there'll be a big push around trainings and things like that. It's just a good time if you're looking, we're going to be doing a lot more outreach than we normally do. Not that we didn't do outreach before, but we're going to be doing enhanced outreach around this new application so it is just something to look at. You can go to our website and sign up for delivery emails if you want to get notifications from us about various things. Or, if you want to assign someone on your staff to get the notifications, that's probably what I would recommend but maybe you like getting more emails than I like getting <laugh>."

A committee member asks, "How long does it take between application and certification?"

D. Aiello responds, "That is a good question that I probably cannot answer accurately right now. We have been in a blackout period where we haven't been accepting new certification applications. That was in part because we had a backlog of certification applications we were trying to work through, while that team was also trying to revamp the certification application."

A committee member states, "Probably two and a half to three years."

A committee member comments, "Ours was probably a little shorter, but I would say, well, we took a lot of time in the planning. It's probably two to three years just because we didn't know how to approach it. But once we started, I would say about a year and a half before we got certified."

D. Aiello comments, "Yeah so it can depend. There is a plan in place to process what's going to be a surge in certification applications once we reopen the portal. Part of the reason that we are providing a grace period for certified CDFIs, existing CDFIs to not have to meet the new standards, is to spread the workload out a little bit and I think that's probably good feedback. Anything I could give you would be speculative. We're trying to incorporate more IT resources to hopefully move things along more quickly, but it's going to be a new process and a new application. So, there's always unknowns and risks associated with that from a timing standpoint."

DFO King states, "Thank you, Dan, for joining us. This was very informative"

D. Aiello comments, "All right. Well, thank you guys for having me. I'm going to stick around for a little bit, but I might have to head out before the meeting's over. The folks at the OCC have my contact information, so if anyone needs to get in touch, feel free to pass that along to me."

DFO King states, "Before we get to our next item on the agenda, I know we are approaching a time where some of the members have to depart, so we can take a break until three o'clock, and once we return, Ernie will give the state of the MDIs."

<u>State of MDIs presentation</u>

DFO King reconvenes the meeting and introduces Ernie Knott, NBE/Financial Analyst, to provide a presentation on the state of MDIs. The presentation covered metrics and data specific to the OCC-supervised MDI population. **<u>The presentation is attached for further details.</u>** The following will detail any questions or comments made related to the presentation.

E. Knott's introduction, "Andre, thank you very much, and I hope everyone can hear me. I will project as well as talk into the mic. Again, thank you for having me. My name is Ernie Knott. I'm an OCC financial analyst, and I've been supporting this committee, the designated federal officer and MDI since 2020. I remember that was during the pandemic and for those of you who don't know me, I'm going to give you a very brief file. I began my OCC career in Miami, Florida, and I moved up to New York in the early nineties. I'm a commissioned bank examiner and became cross credentialed in 2014. I've been on the job for 38 years now. I'm not a one trick pony and when I'm not analyzing financial information, I am making presentations to OCC employees on saving more for the future. So, without further ado, Candace, let's go right to the agenda. The agenda today is in four parts. We're going to start with portfolio demographics. This is basically your bank structured data. We're going to look at charter trends, charter type MDI group. Next we're going to cover the OCC supervisory information. This is data based on our evaluation of your bank, and this includes the supervisory ratings, risk assessments, RAS and violations of law. And next, this financial information, this is mainly from the call report. We're going to review each safety and soundness area in the order of CAMELS as a bank examiner. That's what I'm familiar with. Capital asset quality, earnings, liquidity and sensitivity. The last piece, is back by popular demand. It's economic challenges because interest rates are very important to the NIM and to banking. We're going to try to look at the fed's next move and what we think right now is going to happen and the trajectory of the federal funds. All right. Now my goal is to focus less on things that didn't change, and we're going to focus on some of the emerging trends right now, which is the net interest margin and on changes in funding mix. And John, who left was, we had a conversation before about the sharp rise in the cost of deposit so we're going to cover that now. You can ask me questions at any time. Sometimes it's helpful when we have the data on the screen just to ask the question right there. Or you can save it for the end. And in the bottom center where you can see the word agenda there, you can tell what section we're in."

A committee member asks, "My question was does this sort of generally mimic the trend of banks more broadly? Like it generally, I find it interesting to kind of look at, generally MDIs are in satisfactory condition. My guess is that banks more broadly accept maybe that certain sort of bank category that's has some trouble lately is also relatively safe and sound?" <in relation to the # of MDIs and ratings discussed>

E. Knott responds, "Uh, let me repeat that question for those on the phone. Uh, Kelly, uh, Kelly was asking, Jamie was asking about does this trend mimic the community bank population as a whole? Actually, the community banks are more stable right now. And so the MDIs were maybe a little more three rated banks than the community bank, but they caught up a lot this last year."

A committee member states, "The other thing, Ernie, is at least from our bank perspective, that from talking to a few of the folks, we still hold a lot of it at the holding company. It has not been injected into the bank so that's a whole different conversation there." <in reference to Ernie quoting equity capital numbers for MDIs>

E. Knott states, Thank you for that. I'll give some more information. There are 10 recipients, MDIs, and I went back in to see if it was put into the bank, and I only counted in these numbers when I saw that it was put either from the holding company, or an addition to stock. So next time I recalculate it as this doesn't count everything, this only accounts for the capital that was put in from the holding company for those who have holding companies into the bank."

A committee member asks, "Did I hear you say 10 of the 51?"

Ernie Knott responds, "Yes. 10 of the 51 MDIs received it. Actually, I have a list here and actually went online to verify it as well. I wanted to check the numbers twice before I reported this, but no, I was surprised as well. Now there's also CDFIs in this group, but because I'm talking to MDIs today, I've just counted that. The work paper is in process and we can follow up as more capital gets deployed into the bank.

A committee member states, "A lot of us received it at the holding company level, so just make sure to make that connection. The numbers that we got from some of our trade groups is about 50% of the MDIs received funds, which I still find is a very low number. I just would've thought everybody would've gotten on."

E. Knott responds, "I actually can figure that out by looking at that. So there's 113 other MDIs. What that's saying that those MDIs received probably more than what we received here, but I can certainly look at that. I'm going to tell you, Joe, but just my gut instinct, and I'm a humble man, I can be wrong. It sounds like a high number, 50%. You know, I'm going to say that but I'll look at that though."

A committee member responds, "Well, I guess I'm taking the two trade associations. That was the number which I would've thought that number would've been higher because we're all sort of involved in this. I was actually shocked that it was so low."

Later in the presentation…

A committee member ask, " Can I ask a quick question for the MDIs in the room? I'm just kind of curious, with delinquencies low, but is anyone else sort of nervously waiting for the shoe to drop with sort of the rise of rates and how borrowers are going to be able to sustain these much higher rates, especially on sort of adjustable rate loans on the commercial side? I mean, rents have gone up, but I'm just kind of wondering is that sort of an underlying level of concern or angst at the MDIs or not particularly?

A committee member responds, "No, I would say that's our concern so far. We've been able to pass on higher interest rates onto the borrowers and they've continued to qualify. But, if rents don't go down or if you start to see another weakness, I mean, that's certainly a concern. I mean, we're beefing up our allowance just in case we haven't seen any losses whatsoever."

E. Knott states, "For those on the phone, Jamie was asking about if we have any concerns or what other bankers felt about the rise in rates right now and how that might be impacting credit? And Joe, I want to also add on that the allowance for credit losses, the numbers are, Candace, would you mind going back one slide please? If you are looking at the allowance there, it's still elevated base versus pre pandemic. And I took a look at that. Part of this is CECL I'm sure you plus other bankers are still saying, well, we might be having a soft landing, but there's also a possibility for a shallow recession. I think part of that could be those factors in the CECL and factoring in a possibility of a shallow recession."

A committee member states, “When you look at CECL, are you looking at both on balance sheet and off balance sheet? Because that's been a big point of our off-balance or our unfunded commitments is higher than it's ever been relative to our loan size. And so we're having a reserve for that or at least our understanding of CECL. There's been some debate about that, but curious to see your thoughts on that?”

E. Knott responds, “Absolutely. I didn't do a breakout. I was just looking at pre CECL and afterwards, but that's part of it and because of the off-balance sheet as well. Also, reserving for the life of the loan and also the off-balance sheet piece would be part of it. I didn't quantify how much came from each one, but in general CECL did contribute to that.”

A committee member asks, “Do you see that uptick from you're using the new methodology or do you see an uptick in loans that are approved but not yet funded? Or do you see lines of credit that have unused balances? Like what sort or all three?”

A committee member adds, “But certainly the new methodology forces you to take that into account”

Another member adds, “The lifetime losses of the right and including? Yeah, we had the same experience.”

A committee member states, “I'm curious though, some banks interpret it completely different and I'm like, we think that's the right methodology, but there's, you know, Andre, just for your sake, there's still a lot of confusion out there as to the small community bank space as to whether or not a lot of them just moved that money over or just kept it the same, how can you do that? You've got a billion dollars of unfunded and you're not allowing anything?”

E. Knott responds, “You know, what you're saying Joe is the proper way to be doing it. As we go through it, I think we're all learning this as well as we go through each exam, the examiner will point if they see anything that does not look kosher that they would certainly point that out so we do look at the allowance quote.”

A committee member states, “Actually, Ernie, it was kind of funny because earlier we were speaking about how we feel like a lot of our examiners aren't even necessarily familiar with the fact that we're MDIs or, but then I was sort of thinking in my mind it's actually kind of amazing what examiners have to sort of know about. I mean, they have such a broad reach of everything from deposits in the way they have them sort of jumping around. And I think that's because they're still trying to figure out CECL, you know, I mean, we would ask our bank examiners questions at our last exam was after CECL had been implemented and they were still kind of trying to figure it out themselves. It's amazing to me the vast information they have to sort of learn. And so, you know, MDIs are not exactly necessarily always on the forefront especially if they're still trying to pass their exam and things like that.”

E. Knott states, “No, Jamie, I mean that was a very good point. I can tell you when I come on in 1985, what the examiners are doing today, it's broadened. There's so much to learn as a generalist, there's a lot to cover. So if something doesn't look right, please question them. I know they go through tremendous effort to keep up with the guidance in that. And, when the situation warrants it, they'll bring in experts. And believe me, behind the scenes, you may not know it, but they do consult with those folks. They want to make sure they give you the right answer as well. So we're all learning this as we have as banking getting more complex.”

E. Knott concludes his presentation by stating, “That's it. I, I covered everything I wanted to and if you have any questions and all that, and believe me, I'm trying to make sure we give you the best presentation. If there's information that you don't find helpful or there's something that you would like to see that I'm not covering, please feel free to let me know. I want to also point out this slide presentation deck is under 30 slides, so I'm trying to less is more, give you the same information, but package it a little bit. I thought psychological, I mean, 29 is good for as age is good, but it's also good psychologically. I don't want you to come here and say oh my god, 45 pages. I'm still going to work on those dashboards. Thank you all for attending and if you have any questions, please let me know.”

A committee member asks, “I was going to ask on slide 19, it's showing that it's 88% like their interest expense, almost?

E. Knott responds, “Yes and if you look at the relationship of that you can see that exactly that was the thing. We came from such a low level as a percentage, but because the interest income was at a higher dollar amount, you can see actually we are able to have a positive net interest income year over year. Remember this is year over year, but the quarter is turning, it actually decreased there, but yes, exactly. And the other thing, what's going to happen if this pricing goes up as rates stabilize, we're going to end up that non-interest income will turn positive as the net interest margin contract. I just want to point out, we saw contraction this quarter in the NIM and that's not a trend. It's maybe a one quarter anomaly, maybe two, but we're going to keep an eye on it. But no, Jody, that's the rise in the deposits and if you look at the deposit chart, that's a sharp rise that we haven't seen up before but also we're going to raise rates on the asset side as well. So that's the balance right now and that would be up to you. I would love to hear any stories from you all about that so I can go out and say I heard from a banker.”

The conference line operator Candice states, “We did have a question asking to confirm that the MDI information is for OCC MDIs only, and not all banks?”

E. Knott responds, “Candice, thank you for your question. Yes unless otherwise noted. When you see, so look at the net interest margin, if you look at the right side on that top chart. The MDI, the blue is the median of the 51 OCC MDIs, the community bank layer is the OCC supervised community banks. But the third is the other MDIs, the other 113 MDIs that Andre and I get a list and I filled in in each quarter into our FINDRS system. So, that's the median for those. So yes, the answer is most of this information is for OCC supervised MDIs, but the line where it shows non-OCC, that's the median for the other MDIs that are not supervised by OCC. Is there any follow up question? Let me know.”

The meeting is transitioned back to DFO King and he states, “Thank you again Ernie. I just want to bring us forward to where we are today. There were some activities that transpired since the last time we were meeting as a group in April. I provided a recap of our April discussion and meeting, and hopefully that served as some value for those that were able to attend and unable to attend. But one of the items we talked about during that discussion that we sort of followed up on was having a joint meeting between the minority depository institutions as well as the Mutual Savings association group as well. In June of this year, the MSSAC is what they're called, had one of their three meetings for the year as well as a joint interagency mutual forum. But we did spend time prior to the actual MSSAC meeting to have individuals from the MDIAC join in and have a discussion with that particular group. Kelly was able to join in person and Barry Hurley, he was able to join virtually. One of the things that I wanted to just get a quick synopsis of some of the items that came up during that discussion. Overall, the conversation was a means to convene and see if we have some commonalities between the group and see if there is a path forward for us to meet and convene and discuss the challenges and ways to navigate some of those challenges along the way. We focused on establishing a commonality between the two groups to figure out what kind of baseline that we have, what kind of common challenges that we see, what kind of opportunities that we have together. One of the items we were also discussing was the structure in general because if we were to make it a formal committee, then we have to go through the public notice notification, things of that nature and or was there a desire to establish some sort of subcommittee for which either a collection of representatives for each committee meets on a frequent basis to have discussions and utilize this platform as a report out? That was sort of briefed and discussed and kind of explored as well. I think the overwhelming response was a platform to engage and continue to have conversation was something that was desired through those discussions. So, I wanted to throw that out there to the group to see if that's something we need to continue to explore when it comes to this particular effort to combine these two groups, to have further discussions for collaboration, things of that nature.

A committee member states, “I like the subcommittee idea to make sure that there is some commonality so we don't just come together and maybe designate a few of our folks, few of their folks and see if there's any commonality.”

DFO King continues, “One of the things that we wanted to emphasize during this discussion was some of the successes, the challenges and the opportunities. And I just want to briefly highlight those items and then we'll move on with the agenda. Some of the successes that were discussed during that discussion was the ability to partner with local, historically black colleges and universities for interns that work at those institutions. They receive college credit, they help with the financial literacy efforts, but also provided someone in the institution that may be reflective of the community. So trying to build that pipeline of potential bank employees to continue to represent and reflect what the community looks like. There were management programs that one of the institutions established to build up the expertise to take over sort of management positions, so another type of intern program, but focus more so on the management and not necessarily the frontline staff. That was some of the successes that were discussed. The challenges that they presented was how do they penetrate other low-to-moderate areas, um, how do we close the racial wealth gaps specifically in housing? And then what are the specific products needed to address the community's needs? So that was some of the challenges that they presented. The opportunities that they all explored was if we are able to convene, was to share best practices. They didn't have any fear about competition between mutuals and MDIs. There's a common goal, and I think once that fear is put to the side, it allows for more robust conversation. The last thing is just exploring the collaboration opportunities locally, regionally, and then at some point, maybe even nationwide. So those were some of the opportunities that were also expressed as well. But I know Kelly, you were there and not to put you on the spot, but I didn't know if you wanted to share any thoughts on that particular meeting.”

A committee member responds, “No, I think it was a similar.”

A committee member adds, “Discussion that we we've had here and a lot of common challenges and same type of solutions. I would be in favor of us doing some collaboration with them.”

A committee member states, “I would also say that I think part of the problem we all struggle with is just sort of bandwidth and manpower just because we are all these, like generally pretty small community banks. I mean, I was just looking at the statistic again that we're 3.9% of OCC community bank assets. So not total bank assets only within the community bank sphere, we're only 3.9% of those based on asset side. I mean, we're just tiny, tiny, tiny. I mean, we're not threatening, there's certainly not enough of us that there'd really be any kind of competition but it's not sort of a finite pie either. I mean, there's so much out there for I think all of us. The more that all of us can work to develop these relationships, you know, I don't think that because Beverly has a deposit with us of 250,000 that she's not going to then have a deposit with Joe for two. I don't think it's competitive at all and the more boots we can have on the ground helping sort of foster these relationships and kind of creatively come up with opportunities then more of us can maybe maximize on the better."

A committee member asks, "A quick question? I'm just kind of curious like how far along, like do you feel like we've sort of as a committee, are we sort of in similar place or have they had, do you see a lot more sort of collaboration and partnerships and stuff like that, that they've managed to kind of create? And again, just kind of curious. I mean, I think we can both learn from each other."

DFO King responds, "You know, honestly, I think the group is pretty engaging and I think they're open to having discussions and sharing their stories. I don't have the spectrum in regard to, I mean, I'm a fan of this group. I think we've made progress. But I don't have the scorecard on where they stand in regard to their ability to execute."

A committee member responds, "Not really a scorecard, but just like you see that they've kind of fostered a lot more of like ongoing projects and programs that lots of banks have been able to sort of funnel into. I mean in a good way, if they do, this is stuff that we can then maybe try to mimic on our end. Like I think it would be a wonderful thing." or lots of, um,

Senior Advisor for Thrift Supervision Charlotte Bahin states, "I think they are very interested in talking about collaboration. With this group, they wanted to talk about community bank collaboration starting in 2015. And that's why the paper was done. There are individual examples of some of the banks themselves collaborating, but there are not as a group, that's not really sort of where they've put their focus and they have a slightly different structure so that every committee members don't actually stay as long as some of you all have. So it's a little bit of a different dynamic. There are some differences in the way that they have used the committee, I would say. But the group that's there now and the group that I think will continue to be there at least for, for a while, is very interested in collaboration, very interested in working with community banks of all kinds, whether they're MDIs or not.

A committee member states, "There are some really interesting things that some of them have done individually that might be of interest to you all. I would say the thing that struck me is I learned a lot about savings associations, which I didn't know anything about. Their composition of the area of the country they're in is, is quite unusual and kind of concentrated in kind of small communities. So we're from a small community, so I kind of related to that, but that was really educational for me. There might be some interesting work with the smaller organizations of MDIs with them. I thought that was interesting. And one of the things that, I admit I haven't talked to Ernie yet about, because I'm trying to pick my good moment as he's done a great job creating a map that shows the committee members plotted out in the country. We were thinking of maybe getting a map that showed all mutuals and all MDIs so that we could see and I think what you'll find is that, as Kelly suggests, the MDIs are in the coasts and in Texas and the mutuals are in New England and then in the heartland. It's the eastern part of the heartland so it's sort of an interesting dynamic, but I think it would be useful probably for everyone to see that."

A committee member states, "I can tell you as a former mutual, that the mutual industry tends to be more cooperative with each other than the MDI industry so I think it would be very good to work together?"

DFO King states, "Perfect and challenge accepted. With that being said, this is time of the agenda that we open the lines up for public comment and so at this time, it's open to the public and I know Julie has some things she wants to share."

Director in Banking Relations Julie Blake comments, "I just wanted to highlight our director workshops that we offer for community banks and federal savings associations. We have six different workshops and they're offered throughout the year. They're in person and they are free for MDIs, so I don't know if you knew that, but they're really a good resource and we have a new one on capital markets that we just started offering this year. It's a half a day following the risk governance. There are several locations that are coming up that we are offering this this year. There's some in Charlotte, in Chicago, San Antonio, Santa Ana, Syracuse, Dallas, and Sioux Falls later this year. There'll be some virtual ones once we get through the in-person, but just wanted to highlight that those are really good resources for all of you. One thing I'll add to that is a lot of our directors also work at our bank. You go to these workshops and most bank directors are accountants or they have a medical practice or whatever, and it's amazing how little they know about banking. You'll ask them their asset size and they have no idea, it's very obvious. So I think they're wonderful to kind of like get sort of even a basic framework of banking and how it works and because I mean, at the end of the day, they're responsible for the bank on where they sit. We do have a lot of outside directors, but we did open it up to senior management because there was, there seemed to be more of a demand for other members who weren't even on the board to attend these. But just wanted to highlight, if you want to find out more information, it's on OCC.gov or feel free to email me."

Operator Candice opens the line to the public, "We have someone online. Betty Rudolph."

Director, Office of Minority and Community Development Banking, FDIC Betty Rudolph states, "Okay, great. Well, hi Andre, Andrew and the MDIAC members. My name is Betty Rudolph. I serve as the FDIC director of our Office of Minority and Community Development Banking. I really appreciate the opportunity to attend today and hear all the threads that you talked about. I know you talked about partnerships, collaboration with large banks, and MDIs and CDFIs and the Community Reinvestment Act. And I really wanted to put a link in the chat, which is a link to the interagency MDI and CDFI bank conference. We've been working with Andre and Andrew over the past several months to put together a joint conference put on by the FDIC, the OCC and the Federal Reserve for all FDIC insured MDIs and CDFIs. That's about 300 institutions we are inviting and about one hundred total FDIC supervised, OCC supervised and fed supervised large and regional banks to participate. It's really designed to be a very interactive conference that will be held at the Dallas Federal Reserve Bank on November 15th and 16th. I think all of you MDIs should have received an invitation towards the end of July. Registration's open until October 6th and I believe earlier this week, maybe yesterday, the large banks on your committee should have received their invitations to the event. At the event, in addition to opportunities to interact and talk about supervisory topics, we're inviting other agencies that have programs that support MDIs and CDFIs. We're expecting the CDFI fund to announce their new certification standards at the conference. We'll have an overview and update on CRA modernization and we're inviting the large banks to attend that alongside the MDIs and CDFIs. The morning of the second day, we're inviting large banks, MDIs and CDFIs to have sort of one-on-one sessions to talk about collaborative opportunities. If there are any MDIs that want to participate in that, the registration link provides a collaboration inventory form so we can sort of facilitate matching of large and regional banks with MDIs and CDFIs. If you haven't registered already, I would really highly encourage you all to register. I think it's going to be a very useful practical conference, which we've designed based on feedback that the OCC, the Fed, and the FDIC received last year when we conducted some interagency listening sessions with the CEOs of all FDIC insured MDIs and CDFIs. I'll pause there and see if you all have some questions."

A committee member asks, "How do we get a link to it or what's the website to go look for that?"

DFO King responds, "We'll forward it to you. You should have received it already, but if, if not, I'll send you the link to it. Thank you Betty."

DFO King states, "Are there any other public comments, statements, or questions? Well, this has been a very exciting discussion, but there's even more excitement tomorrow for our MDI collaboration forum. We have on the agenda tomorrow, we have a panel of large bank representatives to discuss all things MDIs. We also have a panel of midsize and regional banks that will discuss all things MDIs. We also have representation from the treasury that will speak on various programs that are focused on MDIs. And last but not least, the acting comptroller will close out the session with some remarks so I'm excited about tomorrow. I really, really appreciate the engagement today going forward. Our next MDI meeting tentative dates and I keep writing it down and I keep losing the sheet of paper that I wrote it on. I just found it. For next year, we have tentatively planned our first MDI meeting to be scheduled on April 16th and then for the second meeting is scheduled for September 24th."

A committee member states, "Can I ask a quick question Andre before we break? About the Bureau of Fiscal Management, department of Treasury opportunities, has anyone had any success with that yet or not? He did send around some more detailed information, but it still remained to me a little bit unclear as to how like, as a small MDI would get involved or is now not a good time for that. That's okay."

DFO King responds, "Oh, it's always a good time. Beverly Meek went through the process. I know she's a large institution, but we talked previously and she said based on the presentation last time she reached out and got involved in the mentor protege program so she maybe a source."

A committee member responds, "Okay because he just sent like, they were so huge and kind of a little bit not detailed and maybe give a little bit more information, but it was still, I'm not clear on like how we would be involved. There's just so many different random, like international currency. I mean it was like less of these sort of big buckets that I think a lot of us would be interested in being involved with, but just kind of understanding how that would play out practically at a little community bank. I could speak with Beverly?"

DFO King states, "Anything else? Well, thank you all. Thank you everyone that joined us online and I look forward to future discussions. Thank you."