

**Minority Depository Institutions Advisory Committee Minutes
April 24, 2018**

The Minority Depository Institutions Advisory Committee (MDIAC) convened for a meeting at 8:30 a.m. on April 24, 2018, at the Office of the Comptroller of the Currency (OCC) headquarters located at 400 7th Street, SW, Washington, DC.

In accordance with the provisions of Public Law 92-463, the meeting was open to the public from 8:30a.m.to 2:00 p.m.

Advisory Committee Members Present

Jamie Bartholomew Aller, Director and General Counsel, The National Bank of Malvern, Malvern, PA; Lucilio (Louie) M. Couto, President and Chief Executive Officer, American Plus Bank, N.A., Arcadia, CA; Guillermo Diaz-Rousselot, President and Chief Executive Officer Continental National Bank, Miami, FL; John Hou, Chairman, President and Chief Executive Officer, Asian Pacific National Bank, San Gabriel, CA; Jesse Jackson, Senior Vice President, Texas Capital Bank, N. A., Dallas, TX; Valerie Mann, Senior Vice President, The First National Bank of Gordon, Gordon, NE; Preston Pinkett, III; Chairman and Chief Executive Officer, City National Bank of New Jersey, Newark, NJ; Joe Quiroga, President, Texas National Bank, Mercedes, TX.

OCC Participants Attending

Joseph A. Otting, Comptroller of the Currency; Jorge Aguilar, Attorney; Charlotte Bahin, Senior Advisor for Thrift Supervision, Adrianna Bailey, Associate Deputy Comptroller (AsDC) for Bank Secrecy Act/Anti-Money Laundering (BSA/AML); Toney M. Bland, Senior Deputy Comptroller (SDC) for Midsize and Community Bank Supervision (MCBS); Beverly F. Cole, Deputy Comptroller (DC) for Compliance Supervision Management and Designated Federal Officer; Glenda Cross, Director for Minority Outreach; Joel L. Denkert, AsDC; Cameron Doss, Program Manager for Outreach; Janet Fix, Analyst to DC for Community Affairs; William Grassano, Public Affairs Specialist; William (Bill) D. Haas, DC for Midsize Bank Supervision; Bryan Hubbard, DC for Public Affairs; Maryann Kennedy, DC for Large Bank Supervision; Kris Kiefer, DC for the Northeastern District; Andrew T. Moss, Outreach and External Relations Manager; Donna Murphy, DC for Compliance Risk Policy; Yoo Jin Na, Senior Licensing Analyst; Eric Reinauer, Financial Economist; Seth Schwartz, Compliance Officer BSA/AML; Barry Wides, DC for Community Affairs; Nida Zaman, Congressional Affairs Specialist.

External Speakers

None.

Public Observers

Ernie C. Jolly, Deputy Chief of Staff, Legislative Director, The Honorable Gregory W. Meeks
Betty Rudolph, Federal Deposit Insurance Corporation, Assistant Director, Division of Risk Management Supervision

Meeting Opening

Beverly Cole opened the meeting at 8:30 a.m, and welcomed all in attendance and reviewed the meeting agenda. Attendees were reminded the meeting is open to the public and meeting minutes would be published. Next Charlotte Bahin was introduced and asked to speak with the group regarding the MDIAC charter renewal process.

MDIAC Charter Renewal Process

Charlotte Bahin informed the group that OCC was beginning the charter renewal process for the MDIAC. OCC's plan is to complete the process by June, 2018. Members were reminded that each term is two years and we must receive approval from the Department of the U.S. Treasury to continue with the committee. Once OCC obtains Treasury's approval then we will once again solicit membership via a notice in the *Federal Register*. Additional plans are to solicit membership in the summer of 2018. The process includes background checks, Internal Revenue Service tax checks, etc. OCC is also required to submit a Membership Balance Plan which details the proposed membership's diversity (geographic, size, racial, ethnic, etc.). Members were also reminded that once a complete package is submitted to Treasury for review we typically receive their decision about six months later.

Minority Depository Institution (MDI) Collaboration Initiative

Next DC for Midsize Bank Supervision Bill Haas updated the group on OCC's MDI Collaboration Initiative. DC Haas provided a summary of the MDI Collaboration efforts to date, informed the group that a part of today's discussion would seek their feedback on how collaboration efforts are progressing to date, (including successes and challenges), and inform the group about near term plans. DC Cole reiterated that the MDI Collaboration Initiative is about MDIs and non-MDIs establishing partnerships that will survive well beyond a non-MDIs need for Community Reinvestment Act (CRA) credit. And, DC Haas shared the mission statement adopted to guide the MDI collaboration initiatives and objectives.

- Objective / Mission statement: *Encourage and assist MDIs and midsize banks connect in the development of partnerships designed to provide access to products and services that promote empowerment to the underserved, economic independence, job creation, and community development/ revitalization.*

Some collaboration highlights included:

- Collaboration efforts began with OCC's position paper on collaboration which was a direct result of early discussions with the MDIAC regarding OCC's viewpoint on collaboration and shared resources
- The initial meeting was held in OCC Headquarters on April 8, 2016 This was followed by a more expansive meeting the following year and also held in OCC's Headquarters. Both these sessions were unstructured dialogue and the feedback from them was to have thematic sessions to enhance the ability of both MDIs and non-MDIs to find those interested in the same topic, ensure larger institutions had the appropriate persons in attendance for a particular topic, etc. As a result, we found there were seven core areas of interest (1) financial support, (2) lending opportunities, (3) product development and delivery, (4) technical

assistance, (5) human capital support, (6) training collaboration and (7) shared services. It was also noted that several examples exist where collaboration initiatives align. Examples include:

- Deposit Accounts (11 MDIs flagged deposit accounts as something that would help them, and 9 larger banks expressed interest in providing them)
- Loan Participations (7 MDIs noted this as a need, 12 larger banks noted interest in making participations available)
- Training (5 MDIs each interested in scholarships or invites to larger bank training, 9 larger banks willing to make these available to MDIs)
- ATM access (7 MDIs and 7 larger banks aligned on this)
- New product development (6 MDIs and 7 larger banks aligned on this)
- A discussion was held regarding institutions' willingness to complete a Collaboration Inventory detailing this type information.
- In 2017, OCC hosted five collaboration sessions (New York, Dallas, Los Angeles, Chicago, and Miami) with about 100 institutions and approximately 200 bank executives participating in one or more of the sessions.
- In 2018, three collaboration sessions are planned (Washington, D.C.; Irvine, Ca; and Dallas, Texas).
 - Some MDIs and non-MDIs report good success stories from participants. Examples included: (1) Citibank's Automatic Teller Machine (ATM) Community Network initiative championed by Natalie Abatemarco, Managing Director, Community Development & National Initiatives and (2) Texas Capital's strategic initiative that determined which partnerships with MDIs including products and services best fit their ongoing planning process and strategic objectives in addition to obtaining buy-in from Texas Capital's board of directors and executive management team. MDIAC member Jesse Jackson continues to champion this initiative.
- Members shared some impediments and frustrations they encountered with efforts to reach out to and connect with other institutions in their geographic footprint presenting at times it is very challenging to connect the dots with the right partner. DC Kris Kiefer informed the group that while a lot of focus for collaboration thus far was on the midsize/regional and large banks that large community banks in the asset range of three billion to five billion dollars have not seen a lot of traction but they might be in a MDI's geographic footprint and an untapped potential resource. Some stated that the size of most loan participations remained too large for smaller institutions to absorb onto their balance sheets. Some of the larger institutions shared that navigating their own organizations at times was an internal challenge. And, some larger institutions expressed a desire for MDIs to be clear and specific about how they could structure a collaboration.
- Collectively, the institutions inquired about OCC's vendor management guidelines and whether they apply in these cases. The short answer is yes they do. It was also noted that it is helpful for OCC to get a look at the products institutions are offering each other. That

could provide OCC an opportunity to educate the examination staff earlier so all are informed of the various initiatives – an example would be out of market loan participations where sound risk management processes would still apply.

- Many acknowledged the successes to date but had suggestions for future sessions. Examples included: have breakouts to discuss individual needs and willingness of others to provide, discuss the importance of getting the decision maker involved, several indicated other regulators are following OCC's lead and have started to connect them to others, some suggested it would be good to know what banks are doing with non-OCC regulated institutions and the community impact.
- President Couto stated he emailed quite a few Presidents/CEOs of other institutions and some never responded. However, he also indicated that he attained some limited success by reaching out to others. He suggested that outreach to MDIs might only be 2% of someone's job and that might contribute to limited success.
- President Hou shared that his efforts have not resulted in success. He is interested in obtaining lower cost stable deposits, and inquired about the status of the U.S. Department of Treasury's Minority Bank Deposit Program (MBDP)
- MDI membership had questions about the Shared National Credit (SNC) program. A brief description was provided. These credits are defined as any loan and/or formal commitment extended to a borrower by a supervised institution of any of its subsidiaries and affiliates which aggregates \$100 million or more, and 1) is shared by three or more unaffiliated federally supervised institutions under a formal lending agreement or 2) a portion of which is to two or more unaffiliated federally supervised institutions, with the purchasing institution(s) assuming its pro rata share of the credit risk.
 - A MDI member shared with the group that Pacific Coast Bankers Bank has a program where they will sell loan participations as low as five hundred dollars.
 - Another committee member shared that the State of California has a program similar to the MBDP but that it is cheaper for institutions. Under the MBDP, financial institutions market their depository services to regional, state and local offices of federal agencies as they would to any potential customer. MBDP participants are also listed as possible fiscal agents to serve federal offices..

Bank Secrecy Act (BSA) Update

Next the membership participated in a general discussion on the Bank Secrecy Act. OCC management discussed the fact that it is not the goal of the OCC to have bankers exit relationships simply because there is a perception of zero tolerance. Bankers are expected to have appropriate controls to identify, monitor and manage risks. Exiting a relationship is more risk avoidance not necessarily risk management. A MDIAC member indicated that if the bank's internal BSA Officer recommends closing an account that neither their board of directors nor their executive management team will override the BSA Officer's decision. It was stated it is easier to close an account and avoid risk from their perspective rather than try to justify to the

OCC, the bank's BSA Officer, the bank's board of directors or other bank internal parties a reason to keep the account open. Another member indicated that being on the border there are certain segments his bank will not bank. However, they do review four or five other international segments that they believe they could bank. He stated OCC does a great job of measuring/monitoring risks and his board of directors measures the risk of not taking risk. Reportedly his institution avoids these segments because his institution does not have the capital, people, or other resources for the risk management processes that would be needed. He reported in certain instances he will make a loan to these customers but will not take on the additional risks of the deposit relationship. The bankers acknowledged that all are trying to catch the bad guy but that they need a workshop on what as a Chief Executive Officer and/or board member – they need to know and how they can provide creditable challenge to the BSA Officer on investigations, staffing, metrics, performance indicators, context around suspicious activity reporting, etc. The MDIAC members and OCC representatives acknowledged that requirements shift as bad guys become more savvy and as an institution's risk profile shifts. OCC representatives suggested some questions executive management and/or the board of directors could ask the BSA Officer (1) what additional things would the bank need to do to keep the account open? (2) what are the cost of controls – sometimes not an easy answer for long time customers of the bank with changing risk profiles?, (3) reasonableness factor is important – are you serving your customer. There is no general requirement to know your customer's customer.

The MDIAC members stated that regular updates for CEOs is needed. They would like more frequent dialogue (outside of the examination process). These dialogues could help identify BSA/AML risks and they believe banks do not have the necessary tools to always catch issues sooner. These roundtables would potentially include bank directors, presidents, CEOs, and the BSA officer. Topics could include: (1) requirements, (2) best practices, (3) emerging trends, (4) agency guidance, expectations, and applications.

Another member inquired about the status of medical marijuana and its impact on doing business with national banks. The OCC's response was that bankers should follow FinCEN guidance and that from a national perspective marijuana is a prohibited substance so Suspicious Activity Reports (SARs) must be filed. More banks are becoming involved. They are managing the relationships. Again, it is a bank management team and/or bank board business decision – one made on a customer by customer basis. A MDIAC member stated that if their bank files too many SARs then they must close the account. OCC reported some banks are changing their internal policies to indicate that if a certain number of SARs are filed they will review the account to determine whether it should remain open versus automatically closing the account.

Remarks from Comptroller of the Currency Joseph M. Otting

Comptroller Otting thanked everyone for participating as a member of the OCC's Minority Depository Institution Advisory Committee. He stated he was looking forward to hearing the

MDIAC's perspectives about ways to promote a vibrant and diverse banking system that benefits consumers, communities and businesses. And, confirmed that their contributions to these meetings have and will continue to assist the OCC with developing approaches to promote and preserve MDIs. Comptroller Otting further stated his perspective as a former banker helps him understand that their institutions face many challenges, and that they are presented with opportunities for sound business growth. He said that in the 120-plus days since he began his term as the Comptroller, the OCC begun looking at regulations like the Community Reinvestment Act (CRA) and BSA to ensure that their application in our supervision is consistent and up-to-date. He also shared that OCC is exploring supervisory options for Small Dollar Lending. He further acknowledged the work done with the MDI Collaboration initiatives has been a model to demonstrate how regulators and banks can come together to identify and share opportunities that support minority banks and thrifts. And, that the concepts that have emerged from these events have already led to several successful partnerships, and we will continue to find more opportunities to introduce future safe and sound collaborations. He acknowledged that each of the MDIAC members represent institutions that serve as vital resources for their respective communities. And, provide services that the families and small businesses in their communities need and want, while also working to be competitive and comply with the rules and requirements of the OCC. And, therefore looked forward to discussing what OCC can do to ensure national banks and federal savings associations in general remain a vibrant part of the industry and communities across the nation.

Comptroller Otting stated he thought:

- (1) The federal banking system is, and should be, a source of strength for the nation and its economy. When it is running well, it is capable of powering tremendous growth and economic prosperity for consumers, businesses, and communities across the country.
- (2) Our job is to find balance where supervision effectively ensures safety, soundness, and compliance while as the same time not wasting opportunities through unnecessary burden of by fostering an environment so risk averse that banks fail to lend.
- (3) Regulation does not work when it cut off investment, and banks can't fulfill their public purpose if they cannot support their customers, business, and communities.

He further shared that since coming to OCC he has focused on three main topics: (1) how do we efficiently and effectively operate OCC? He is looking at cost structure from facilities, to personnel and how decisions are made. (2) Policy – CRA – expand product categories, metrics, and transparency. BSA Update – vertical and horizontal look – we recognize that FinCEN writes the rules but OCC completes the examination process – so internally we are questioning are we examining in the best and most efficient manner. Next steps will be for OCC/FDIC and FRB to meet with FinCEN and then law enforcement and better understand how they use the data. Is it possible to design more efficient methods? (3) Small Dollar Lending - about 75million consumers are outside banking. Comptroller Otting indicated the loans with maturities in excess of 45 days are within OCC's authority and he would like to see bankers reclaim a portion of that market. (4) Supplemental Leverage – He hopes to be able to give small banks relief if under ten billion. Next, he encouraged the members to engage in dialogue with him.

A MDIAC member stated that any efforts for community banks in general – even a half a billion is appreciated and to have a risk focused approach – screening out what is required helps

because they literally cannot pay for prudence. The member indicated that regulatory burden distracts them from serving the community and they need balance between being compliant and meeting regulatory requirements. The member applauded any effort regulators can do to assist them. Another member thanked the Comptroller for his remarks on Small Dollar Lending. And, indicated that from the consumer side – the MDIs bank those customers and much of that business was driven to the payday lenders. Another MDIAC member stated that comments were welcome regarding BSA tolerances.

MDIAC Roundtable – MDIAC Committee Members

Finally, the committee members participated in a roundtable discussion on a variety to topics. But much of the discussion focused on BSA and CRA.

A general update was provided on the Advanced Notice of Proposed Rulemaking (ANPR) regarding CRA by DC Donna Murphy. She acknowledged that Comptroller Otting had made CRA Modernization one of his top priorities. As a result, she stated that the OCC is developing an Advanced Notice of Proposed Rulemaking (ANPR) and working with our interagency partners [Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Bank (FRB)] in taking a fresh look at CRA given the diverse business models and technological changes in the industry as well as brainstorming ways to make the regulatory framework more clear and transparent. A member suggested the agency consider moving away from branch specific metrics and look more at bank-wide metrics. The agency is also looking at whether the current metrics are the best metric. And, how best to ensure banks are complying with the CRA and also getting consideration for appropriate efforts. Other examples of questions and/or considerations being considered include”: should there be different standards for different banks? Should the structure be revised or modernized? Should performance be tied to asset size? Business model? Or a combination of both? The group was encouraged to provide honest feedback on the ANPR once it is issued.

In addition, DC Murphy reported that our Compliance and Community Affairs Division at OCC would soon issue guidance to OCC examiners based on a horizontal review of OCC issued CRA Performance Evaluations. The intent is to provider clearer guidance to examiners. It was also confirmed for one of the members that larger institutions can also receive CRA credit for their efforts in meeting the needs of the community including low to moderate income communities.

Public Observer Comments

None.

Adjournment

The meeting was adjourned at 2:00 p.m.

The minutes are an accurate representation of the meeting.

/s/ Beverly F. Cole
Designated Federal Officer