Office of the Comptroller of the Currency
Minutes of the Virtual Meeting of the
Mutual Savings Association Advisory Committee
June 27, 2022

The Mutual Savings Association Advisory Committee (MSAAC) was convened for a virtual meeting at 1:00 p.m. on June 27, 2022.

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

Advisory Committee Members Present

Ana Babiasz, David Barksdale, John Coyne, George Hermann, Brian North, Dennis Parente, David Reynolds, Thomas Rudzewick, Annette Russell

OCC Staff Attending

Acting Comptroller of the Currency Michael Hsu, Charlotte Bahin, Karen Boehler, Michael Brickman, Beverly Cole, Christopher Crawford, Eden Gray, Cristina Im, Brian James, Kevin Johnson, Kelly Lindner Crystal Maddox, Sydney Menefee, Michael Moriarty, Mark Ridlen, Troy Thornton, Sarah Turney

Public Meeting
Introduction and General Remarks

Michael Brickman, Deputy Comptroller for Thrift Supervision welcomed the members of the Mutual Savings Association Advisory Committee for our second in-person meeting of the year. And tomorrow is the Mutual Forum, which is one of the keynote events that OCC hosts every year for the mutual banking industry. He thanked the Advisory Committee members who have helped develop the agenda for the Mutual Forum. He explained that the Mutual Advisory Committee meeting would be shorter than the traditional committee meeting because some of the presentations that would normally be here have been moved to the forum. This meeting will focus on the interaction piece, the round table discussion with the Acting Controller Mike Hsu, who has joined the meeting today. Following the roundtable there was another roundtable type presentation of discussion with all of the Midsize and Community Bank Supervision deputy comptrollers.

Member Roundtable

Mr. Brickman introduced the Acting Comptroller to give introductory remarks and start the roundtable. Acting Comptroller Michael Hsu welcomed the Advisory Committee members. He began by reiterating the OCC's commitment to the Mutual Savings Association Forum and restated that the agency is a huge supporter of mutuals and community banks in general. He said that he hopes to speak less and listen more about what is on the Advisory Committee members minds, questions they have, what they are seeing. In particular, right now he asked what they are seeing with where rates are and where they are going. He said he was interested in hearing what are they are seeing across their customer base.

The Acting Comptroller asked the Advisory Committee members what deposit, loan demand and other trends and developments they are seeing in their markets. Advisory Committee members described

- Addressing customers needs by looking for goods and services in which they are interested.
- Using technology to help customers
- Savings being parked in the bank given market uncertainty – money moved to CDs as interest rates rise. Competitive rates on CDs are emerging
- Loan demand is strong but probably will slow down as rates rise. Supply chain concerns still hamper construction lending
- Smaller Advisory Committee members worry about earnings
- Paying new-hires the salaries they demand can be a challenge in smaller markets
- Thinking strategically about outreach to younger customers as existing customers age.
- In other geographies, loan demand is down. Demand for loan services needed for application, underwriting and closing is also down
- Consolidation in some markets results in trying to develop complete relationships
- Home pricing is good and will last until the existing market is absorbed
- Revaluing salaries and benefits to keep employees
- Beginning to see competition for deposits so cost of funds will move from stable to increasing
- A concern in the southeast is the rising cost of homeowners insurance. The increased cost seems to be tied to inflation and the result may affect affordability issues
- Working through changes because of employees' hybrid work schedules and having to balance those schedules with having to work 100 percent on site in branches and interacting with consumers
- As rates rise, mortgage refinance activity is slowing down and will stop
- In some geographic areas, the housing market is very hot
- Several members have excess liquidity and have been able to pay down some borrowings so their cost of funds has come down
- Competition for public funds
- Impact of rate changes on the investment portfolio

An Advisory Committee member reported on a recent examination experience. Part of the examination team was on-site but several of the components were examined remotely. There was some duplication in sending documents because of groups being on site and other were remote. The process seemed more time consuming, but it was not more difficult. An Advisory Committee member said that his recent exam was the second hybrid exam and that it went well both times. As Advisory Committee members work though the changing economic times, some are able to talk to examiners on site about issues that are arising and found it helpful.

An Advisory Committee member also just concluded an examination and overall, it was a hybrid approach. It went very well, but for the second examination there was a discussion that the capital ratios have not necessarily met examiner expectations because the ratio is slightly below peers, even though the bank is well capitalized. The Advisory Committee member was interested in whether the OCC position had changed or what the comments meant.

Mr. Brickman explained that OCC examiners do not set capital minimums for OCC-supervised banks absent there being a specific reason because of the bank's risk profile. He said that if the bank has a capital plan and is aiming towards the target, and the risk profile aligns with that capital, there should not be an expectation it needs to hold more capital unless it is formalized in a report of examination. He noted that mutuals typically hold more capital than other community bank peers, largely because they do not have a quick way to raise capital should the need arise. The OCC would look at the peer and probably compare the bank to the mutual peer group to see where how it compares. But when the bank has 11 to 12 percent tier one capital, there are no alarm bells, unless the bank is doing something completely new, higher risk, and that is different than what the traditional business plan has always been. That would be where it is possible to see some avenue to start questioning whether there is have enough capital, if the bank modifies its strategic plan or if there is something on the horizon that the examiners think will lead to reduction in capital, for example an earnings or liquidity issue.

Troy Thornton, Deputy Comptroller for the Southern District said that, as described, the situation does not raise any alarms. He explained that he would look at the trend, at how much capital is needed, and as long as the risk is low, the level and circumstances described would not raise flags. The Advisory Committee member explained that the bank's capital policy included a five percent buffer over and above the regulatory definition of well-capitalized. The Advisory Committee member asked how a peer group is defined. Mr. Brickman explained that banks have some ability to push back on any peer analysis presented. If it does not represent the bank's business model, a peer group can be calibrated to be mutual only, or to be more specific to what bank management thinks the institution is, and what the peers are. That is an avenue to have a conversation with the field office and the examiners assigned to the bank. Often times, they forget and use a general community bank peer group or do not realize that a mutual has different characteristics.

The examiners can run specific peer group reports, and that is another way to get behind the issue if management and the board disagree with the conclusion. Mr. Brickman said that it does not sound like a formal recommendation or a directive saying the bank needs to improve capital. It is just a general conversation about the bank's plans. He continued that Mr. Thornton's point about doing a trend analysis is what is typically done. If the bank had 15 percent capital two years ago, and now it is down to 11 percent, the examiners might have questions about whether it was strategic, it was planned, or is further deterioration expected. If the bank's capital levels have been at around 11 or 12 percent and it is business as usual, the nature of the conversation today would be, "Are you looking forward to what is going to happen with inflation, with the rates, with the bank's balance sheet? Is the bank's earnings position going to improve or deteriorate? Is the bank's capital sufficient to support planning for activities in the next couple of years?"

The Acting Comptroller summarized that there is no change in policy. What is happening is that the environment is changing. The changing environment probably is prompting a closer look. He said he thinks that is where it is coming from, but the OCC's general approach is the same. The Advisory Committee member said when there is significant asset growth in a low-rate environment for this extended period, it really is hard to convert that over into increasing capital.

The Acting Comptroller agreed and said that what happens will be interesting. He said that he heard different things going around the table about different trends and pressures. The Advisory Committee is a diverse set of institutions across diverse parts of the country. On the deposit side for a long time there has been a surge and banks do not know what to do with the money. It is changing all of the ratios, it was hoped that it would normalize, but it did not. What are some strategic adaptations and what happens? He said that it sounds like for each institution it is a little bit different. It depends on what is the bank's situation. Again, which is good. There are times when the agencies hear the same theme across a group of institutions and that really gets attention.

An Advisory Committee member provided additional information about the bank's hybrid examination. His bank just completed an examination with most of it occurring off site and part of the examination was a data integrity exam in an area in which nothing was digitized within the institution. The Advisory Committee suggested the OCC would be to maybe send a questionnaire maybe six months in advance to see the status of digitization at the bank. In this example staff at the bank was not on site and there were a number of full mortgage files to be scanned. It was a time consuming and inefficient process. The Advisory Committee member acknowledged that each bank is different and at a different point in digitization.

The Acting Controller said that the information is helpful, and that OCC staff hopes that with hybrid examinations that the sweet spot with in-person and remote examinations can be found at each bank.

An Advisory Committee noted an examiner's travel schedule is hard and that being on the road all of the time can lead to burn out. He said that a hybrid exam schedule might be helpful to retaining examiners. An Advisory Committee member said that his staff has been able to work out which files the exam teams needs to be digital in advance which is helpful as part of the team are specialists that are across the country.

An Advisory Committee member asked whether the Acting Comptroller could talk about the MBCS realignment and how some of the components address the questions about digitization of files and coordination of resources. The Acting Controller said that the MCBS realignment is moving forward, and the agency is focused on preserving and strengthening the local presence and national perspective of the OCC. Staff is trying to rationalize a little bit more for cohorts. For example, banks that are alike being under the same ADC, rather than being organized geographically. He described the organization of the resource and risk group and talked about efficiencies with having those examiners seeing the national picture. He talked about how banks of all sizes are looking at the most efficient was to address digitalization. He also acknowledged bank's reliance on the cores for these services. He said that he has heard that the smaller banks feel like the services are being targeted at larger banks, and them to offered as an afterthought for the smaller institutions. He said that this is an issue on which the OCC wants to make progress.

An Advisory Committee member asked the Acting Comptroller what would be on his strategic roadmap for the next three years if he were a bank CEO. He asked what the focus would be to remain competitive for the next three years. The Acting Controller responded that the questions could apply to the OCC. The agency is not in competition, but the other issues are similar.

He said that he would start with looking at who are the bank's customers and what is the bank's comparative advantage. Every bank is different. Every agency is different. He said to start with those questions because otherwise the bank loses what it is. He said that is the same for any corporation, any bank, any agency. They have to know who they are as they move forward and deal with competition and all other changes. He said that he sees this as an opportunity for community banks, because in general they are much more relationship focused and that is hard to replicate. He said that is a comparative advantage and it can be a building block. In a volatile environment, consumers like stability. When things are going up, stability is low on the list. He said it is the same for a regulator. Safety and soundness, fairness, those are concepts that are down the middle that can provide that stability and consistency

An Advisory Committee member agreed that the banks have to stick to what they do best, which in the case for most of the Advisory Committee members is mortgage banking and some small business commercial banking. He said that it is important to pay attention pay attention to what is going on in the Fintech and Crypto space and not be afraid to explore as banking changes. He said that as mutuals, it is important to figure out how to work in Fintech and Crypto space as partners not competitors. Mutuals can make investments without answering to shareholders.

An Advisory Committee member said that mutuals can play the long game, and that the Fintech piece requires that because there is a lot out there, and a bank has to be diligent in picking the right partners. He said that mutuals can not sit still and just do pure mortgage banking and CDs, because the customers those activities attracted are not buying houses anymore. They are buying cemetery plots. The Acting Controller said that the points are related. Banks can never sit still. Whether it is from a safety, soundness and risk management perspective, banks constantly need to evolve, but there is a difference between adapting and chasing.

An Advisory Committee member said that not evolving would be riskier. In the earlier discussion about the younger generation and relationship banking, that is what mutuals do. The younger possible customers want to talk about what is good for them, and what the bank can offer but they do not feel the bank's platform is right for them. They are not worried about relationship banking because they are too young to understand that that is going to be their future.

An Advisory Committee member asked about the environmental and social policy directives that are being discussed. The Advisory Committee said that consultants and other third-party vendors have started to tell community banks that they will criticized for not having policies in place similar to what large banks may have. The Acting Controller replied that the OCC's approach has not changed since the last meeting. It is risk management, risk management, risk management. Safety and soundness, the OCC's mission and that is what the agency is focused on.

MCBS Deputy Comptroller Roundtable and Update

Mr. Brickman thanked the Acting Comptroller and introduced the OCC MCBS Deputy Comptrollers who would be part of the next roundtable discussion. He introduced Karen Boehler, Deputy Comptroller for the Western District, Brian James, Deputy Comptroller for the Central District, and Troy Thornton, Deputy Comptroller for the Southern District. He explained that Beverly Cole, Deputy Comptroller for the Northeastern District will begin as the Acting Senior Deputy Comptroller for MCBS in a few days and would be not able to attend the Advisory Committee meeting but would be on the next day's Mutual Forum program.

Mr. Brickman explained that as part of the MCBS realignment, Ms. Boehler and Mr. Thornton will continue to be two of the three community bank deputy controllers responsible for MCBS's new regional structure. Mr. James is moving to the risk resource and examiner development line of business as the deputy controller. Mr. Brickman explained that he will continue as the Deputy Comptroller for Thrift Supervision and Special Supervision, as well taking on the responsibility for technology service providers and novel bank supervision.

Mr. James began the discussion with some of the high-level comments about a couple of initiatives: the realignment and risk-based supervision, another initiative in MCBS. He noted that these topics overlap with some of the points made earlier in the discussion. He provided some background about what MCBS has done with risk-based supervision. He described the deep dive performed of the supervision strategy development data from 2013 to 2020. Examiners provided feedback on any pain points or impediments to performing risk-based supervision.

The review of the process during that time period showed that banks were in good- to-improving condition, but that the OCC needs to take a more diligent approach to implementing risk-based supervision principles. Examiners do not always use the flexibilities that are available while conducting examinations, and that is reflected in some of the comments. Even before the pandemic MCBS has had a hybrid model. Examiners need to be more consistent with processes and expectations across MCBS. At this point in the realignment, all of the MCBS processes are being reviewed, including internal processes and exam procedures. The goal of the review is to look for ways to highlight some of those key areas where examiners can be more efficient and consistent. A common concern that came out of this review is the "check to box" mentality.

Mr. James observed that the earlier discussion touched on this concern. He noted in particular the comments about whether examiners understand mutuality. MCBS needs to address training and development to move away from a procedural "check the box" approach from one community bank to the next. It is important to understand the differences between a community national bank and a mutual and it is important to get it right.

Mr. James noted that the changes are intended to address whether resources are employed in the areas of greatest need at the banks. The next steps are to improve processes and be more diligent in how the OCC monitors strategy work-days for the banks. He noted that the goal of any changes is ensuring that examiners have the confidence and awareness to use the flexibilities available.

As part of the realignment, MCBS has created the risk resource and examiner development unit. That unit will have three risk officers who will oversee the lead experts and the MCBS risk committee process. As part of this realignment, the OCC is considering how to better identify, assess, and communicate the risks to the examiners and the banks. There is an expectation that more consistent reporting and messages can be shared with community banks on a quarterly basis. In addition to what is already done to collaborate with the OCC's national risk committee and the semi-annual risk perspective.

Mr. James said that a key component of the establishment of the new risk unit is being able to hire and retain good examiners and having a development program. He said training about mutuals is important because there has been some loss of experience through retirements. Knowledge sharing is important and working with the Advisory Committee members and Thrift Supervision to help train and develop staff on the issues and challenges of mutuality is important.

Ms. Boehler introduced the topic of the Semiannual Risk Perspective and the OCC's National Risk Committee. She noted that several the topics discussed earlier were on her list of risks to discuss. The first emerging risk is the competitive labor market. There is a very low unemployment rate. The increased telework options that have become available across the industry are increasing competition for hiring. The OCC is seeing the same challenges as the industry, including retaining staff, key staff turnover, especially in areas with staff with specialized experiences, which over time have always been more difficult to attract and retain. As labor costs increase the OCC is watching the ability of banks to attract talent and keep paying what is needed to retain staff.

She noted that from the earlier discussion it sounded like the Advisory Committee members are addressing the changing employment environment. She said that where there is turnover, banks might be faced with a greater use of third parties that could impact expenses and the operations of the business, including any impacts on the processes, internal controls and delay in getting things done.

Another emerging risk area is inflation and the rising interest rate environment. Inflation is at its highest rate in about 40 years, and there are some segments that are more impacted than others. An Advisory Committee member mentioned that his geographic area is benefiting from the high oil prices, but the volatility in crude and energy costs is impacting other industries and consumers. Ms. Boehler referred to additional rate hikes and what the impact might be on banks. Most banks, on the interest rate side are asset sensitive and should be benefiting from the rising rate environment. Interest rate management is pretty well managed. On the deposit side banks are benefiting from good liquidity in the system. There are a couple areas of focus including the investment portfolio.

She noted that several Advisory Committee members mentioned that the mortgage market had slowed down with rising rates. She suggested that perhaps it is the positive of bringing the markets back in balance. On the commercial credit side, construction and development portfolios have grown a little bit. That was an industry that has been a little more impacted by the supply chain. Agricultural portfolios generally have been doing well. Another risk is the ability of small businesses to be able to pass off increased costs to their consumers and customers.

She turned to emerging risks in retail portfolios. Household debt has increased over the last year. Interest rates are rising at the same time when a consumer may be spending more for food and energy costs. There is an impact on household income and the ability to spend and consumers might get squeezed. There might be an impact on bank performance going forward. Ms. Boehler suggested that Advisory Committee members look at their stress testing processes from an individual borrower side, as well as looking at some different portfolios as some of the assumptions and the markets change. Just making sure that those assumptions in the stress testing processes still make sense.

Mr. Thornton said he would cover cyber security, which is a big risk for the Advisory Committee members and the OCC. Over the past few years, cyber risk has become more concerning than credit. He noted that that might change with increasing credit risk because of inflation and the impact of those measures that taken to curb inflation. He said that for now cyber is a big one for examiners. It is a big concern for CEOs and boards of directors as well. Mr. Thornton said that he had received a call from Washington that a bank in his portfolio was the target of a ransomware attack. He reached out to the assistant deputy comptroller and the examiner in charge and found that the bank's CEO had comminated with the examiner. The bank ended up paying a ransom of about $250,000 to get their customers' data taken off the internet.

Mr. Thornton noted that many of the matters requiring attention that the OCC issues in the cyber area are around patch management. In the situation that he described, that was not the case. In this scenario the bad guys acted before the patch was ready. An increasing number of banks seem to be impacted by these zero-day vulnerabilities, which means that the bad guys act before the patches are ready.

He said that he cannot over emphasize the importance of robust patch management systems and having a good plan in place for who does what, when a cyber event happens. At this bank, they hired a firm to come in and report on what should have been done differently. As a result, they walked away from the event with some fairly expensive lessons learned. Number one, lock down the firewall as much as possible. After this event occurred, they decided to only allow traffic in from the US for all inbound traffic through their firewall.

This action would not have blocked the bad guys, as well as the attempts that they were getting from seven countries, including China and Russia. They do that now. Number two, they changed their VPN to require a three-factor authentication in order to connect. They have number one, the username password, number two, they have got a one-time password via an app, and number three, they have device authentication. Only approved devices can connect to their system now. This action would have prevented the bad guys from getting in the system.

This community bank implemented a next generation antivirus solution with artificial intelligence capabilities. This would not have prevented the initial breach, but it would have alerted management because of the lateral movement of the bad guys through the bank's system.

It would have prevented the bad guys from performing any large downloads or encrypting data. It is something that they thought that they wanted to go forward with. They are implementing that as well.

Fourth, they have implemented a better off network encrypted backup. If a bank hears examiners talking about an air gap backup, that what they are talking about. Finally, this $300 million bank also learned the value of cyber insurance. The bad guys started out asking for a million dollars, but the insurance company helped them settle that amount down to one-fourth of the asking price, which happened to be covered by insurance. In addition to ensuring that the bank has a solid patch management program in place,

Advisory Committee members asked Mr. Thornton about the case. They asked what the bank's IT rating was. Mr. Thornton said that he did not know but that they had some significant lessons learned. An Advisory Committee member asked whether the bank used a "breach coach" through the process. He has heard about the idea in a seminar. Mr. Thornton said that what this bank did was likely not the best strategy. It hired their IT company to come in and tell them what was wrong. The IT company that they had been working with basically came in and gave themselves a report card. The bank received better service when they went to their insurance company that brought in another IT company. Mr. Thornton does not believe there was a "breach coach."

An Advisory Committee member said that a "breach coach" is the person who is hired to run point and help negotiate with the bad guys with the insurance company and the law firms. Mr. Thornton said that the insurance company brought in that expertise. An Advisory Committee member described a recent incident at his bank and said that the insurance company's forensic team is looking at the data.

Mr. Thornton encouraged the Advisory Committee members to contact their portfolio manager or ADC, with questions and if they do not have the expertise, they can find the expertise. The new risk group that Mr. James described can help with the specialized knowledge. An Advisory Committee member said that because cyber issues are not as well known as traditional banking concerns like credit, it is good to hear some of the stories and the points that banks need to understand and implement.

An Advisory Committee member noted that cyber is one thing that keeps CEOs up at night. He noted that insurance companies are pulling back on some of the available premiums. They are asking for different types of other software packages and requiring multifactor identification. Coverage is available, but it is important to pay attention to the policies because they are changing rapidly.

An Advisory Committee member asked Ms. Boehler whether the risks the OCC is seeing with construction lending are different from what was seen in the 2005 to 2008 time period. He asked whether supply chain or interest rates that make any difference. Ms. Boehler replied that banks do not seem to have the same level of exposure to construction and development that they did then. There are a handful of institutions that have started to grow those concentrations. But a lot of what the OCC has seen is not in the banking or the financial institutions. Banks are doing a good job managing concentrations, some of that may be related to the supply chain. The OCC is not seeing stress in portfolios, but it is something to watch.

An Advisory Committee member asked Ms. Boehler about the metrics used to identify hiring pressures and employee turnover. He asked whether the OCC is seeing any trends in the risk analysis. Ms. Boehler said that there is more anecdotal information about employee turnover. She said that earlier in the year several larger institutions started to track employment trends and the discussion was more about compensation, which is a concern for smaller institutions.

She noted that it is occurring at the OCC as well. It is not just financial services companies that are competing. She said that in the area of information technology, there is a lot of demand for employees. It is a time of transition as employees are coming back to the office, but employers have learned to adapt to remote work. That raises the expectation of employees being able to work differently, and employers must adapt.

An Advisory Committee member asked about the housing market through the last cycle and whether there are any red flags that can potentially cause some real credit risk problems. Mr. Thornton responded that there are a number of red flags. In his market, the housing starts have dropped, partially because of the supply chain, but also because of affordability issues, due to factors from interest rates to insurance. Valuations have gone up 30 percent in a couple of years, which impacts all costs. Mr. Thornton said that he thinks that the industry is headed for higher credit risk when looking at portfolio lenders. Stress testing is going to be important to see which businesses can withstand these changes and which ones might not.

Ms. Boehler added that underwriting is stronger than it was in the late 2000s and individual borrowers are better qualified. Affordability is a factor. She noted that OCC economists were more favorable, they thought it would slow down, but interest rates are higher than expected. A lot will depend on how the rest of this year goes as with inflation, if it moderates, and the impact on the consumer.

Mr. Brickman described an OCC working group that was focused on looking at community banking, in general, what the pressure points were for community banks. He said that one of the things at which the working group looked are the real economies of scale involved in being a community bank today. What sort of investment is necessary year over year, in keeping IT up to date with the current challenges from a cybersecurity perspective, but also from the current environment related to what customers are demanding.

The group started to analyze the community bank population for evidence of lack of investment historically, in information technology that would not show up in ratings. If the bank has good capital and good earnings, but is not spending money on keeping pace, it is not going to be able to continue to supply products and services to its customers.

He said that the working group talked to examiners about the idea of looking at strategic planning closely, looking at IT planning closely, and starting to help identify, particularly in community banks. The cost of catching up is extreme compared to a capital base that may not be sufficient to support that kind of catch up, and really starting to reflect that in the analysis of a bank's strategic planning and the analysis of its capital and earnings.

Mr. Brickman asked the Advisory Committee members about challenges they face in being strategic about investments over time, and how they deploy those funds over the course of a three-year, five-year, 10-year time horizon. He also asked whether they have had pressures from their board of directors or in terms of how they prioritize where they are spending money that has prevented them from spending money for those types of investment. He asked whether they have had those conversations, whether they had struggles with getting their boards to adapt and consider those investments, real time, as the need arises.

An Advisory Committee member said that his bank's net income for the year would be down, but he has not heard concerns from examiners nor has management had pushback from the board. Last year there were sources of income that do not exist this year, for example PPP income and mortgage refinancing fees. This year, he said they made a fairly significant digital investment that would be recurring. The challenge is what does the bank spend What can the bank afford this year? What can the bank put off to next year? A bank can not completely go all in and burn all of its earnings in one year. How do you sequence investments? It takes a lot of people sitting around the table to figure out what that puzzle looks like.

An Advisory Committee member said that his bank was in that situation fifteen years ago. Since that time the board has adopted a functional strategic plan that recognizes that money has to be spent. The challenge is seeing the new shiny thing and wanting to chase it down the rabbit hole, but not doing it especially when there is disagreement at the board level. It is important to recognize that earnings can be challenged from time to time, depending on the environment, the investment to stay very relevant and continue to be very thoughtful in the approach.

An Advisory Committee commented on Mr. Brickman's comments and said that his institution went through this a couple years ago, but because of PPP and consolidations, the bank thought it was going to have a drain on earnings. An Advisory Committee member said that his board is proactive when it comes to costs associated with security measures. He said that their apprehension is more with vetting the Fintech firms for the digital products and services for customers and getting a comfort level with a new or fairly new company, and then trying to determine how many different layers are underneath that fintech.

Mr. Brickman described situations in which the OCC has had to explain to different Fintech firms that offer products and services that do not recognize that they have become a technology service provider and will be regulated by the federal bank regulatory agencies if they keep onboarding bank customers. They do not understand the concept of regulation from that standpoint because they are start ups or they are new to the system. The OCC has had conversations with some of those companies about what it means to provide services to banks and what they need to be prepared for. That is a conversation that is happening between bankers and Fintech companies and between regulators and Fintech companies.

Mr. Brickman began the committee updates, He said that the OCC had heard from Department of Treasury that they have approved the charter renewal for the Mutual Advisory Committee for another two years. That process is complete. In the next couple of weeks, the OCC would publish a federal register notice announcing the nomination period for the next Mutual Savings Association Advisory Committee.

Mr. Brickman explained the nomination process and that members who have served for a two-year term are welcome to nominate themselves for a second term. They will go through the same process in terms of doing background checks and vetting. Mr. Brickman encouraged the Advisory Committee members to nominate peers, colleagues, friends that they are familiar with within the mutual industry that they think would be willing and interested to serve. It is a great opportunity. He said that by virtue of the conversations today, the Acting Comptroller and his predecessors have been consistent in that thinking that this is a valuable forum to sit down, have those one-on-one conversations and hear directly from bankers. He said that the MCBS Deputy Controller Group, appreciates the opportunity and the ability to hear directly from this smaller subset of mutuals.

OCC does outreach that is geographically focused, but it is sometimes tied to a direct supervision relationship. Advisory Committee membership does not involve a direct supervision relationship, and the members can speak candidly about experiences without worrying about the relationship with your ADC or your portfolio manager in the way that a traditional outreach activity would occur. There is one more meeting for this committee, the 2021 and 2022 committee, that will be September 20th. The intention, absent there being an upswing in COVID cases, is to continue to hold the meeting in person. A virtual option will be available for anyone who is unable to be here in person.

The OCC also intends to continue hosting the mutual forum as an annual event and to partner with the FDIC every other year. Mr. Brickman described the program of the Mutual Forum being held the next day. He described the speakers and the panels. Mr. Brickman and the Advisory Committee members talked about topics for next Advisory Committee meeting, including a discussion of the mortgage market, and an economic update, and possibly a licensing update on transactions with mutuals and a capital discussion.

Public Comments

Mr. Brickman provided instructions for the virtual public observers who wished to make comments. He asked the public observers in the room if they had any comments for the record. There were no public comments.

Mr. Brickman adjourned the meeting at 3:55 p.m.

Certification

/s/

Michael R. Brickman
Designated Federal Officer