

Office of the Comptroller of the Currency  
Minutes of the Meeting of the  
Mutual Savings Association Advisory Committee  
July 22, 2015

The Mutual Savings Association Advisory Committee (MSAAC) was convened for a meeting at 1:10 p.m. on July 22, 2015, at the Office of the Comptroller of the Currency (OCC), 400 Seventh Street S.W., Washington D.C. 20219.

In accordance with the provisions of Public Law 92-463, the meeting was open to the public from 1:10 p.m. to 5:00 p.m.

**Advisory Committee Members Present**

Martin Connors, Jeff Hyde, Thomas Kemly, Paul Mackin, Dan Moore, Susan Ralston, Ron Romig, Margaret Smith, Steven Swiontek, Charles Timpa

**OCC Staff Attending**

Comptroller of the Currency Thomas J. Curry, Charlotte Bahin, Toney Bland, Michael Brickman, Arnie Cohen, Kevin Corcoran, Gregory Golembe, Carrie Moore, Blake Paulson, Margot Schwadron

**Public Meeting**

Michael Brickman, the OCC's Deputy Comptroller for Thrift Supervision and the committee Designated Federal Officer called the meeting to order and welcomed attendees at 1:10 a.m. He provided an overview of the meeting agenda. Following introductions of the committee members and individuals in attendance for the OCC, he introduced Thomas J. Curry, Comptroller of the Currency.

Comptroller Curry welcomed the committee members and thanked them for their time and commitment. Comptroller Curry highlighted the input of the committee members provide to the OCC and said that he appreciates the unvarnished comments.

The committee members each introduced themselves.

**Factors for Strategy Planning/Business Model Viability Assessments**

Toney Bland, Senior Deputy Comptroller for Midsize and Community Bank Supervision, began a discussion about strategic planning as a precursor to the panel discussion on the Forum program. Mr. Bland suggested a number of topics that are part of the strategic planning discussion, including: challenges to the business model; compliance with new laws and regulations; third party risks; competition from all types of entities; balance sheet management; talent management; and the value proposition of being a mutual.

The committee members identified advantages to being a mutual, but they pointed out that they want to succeed just like a bank with any other charter. Several committee members explained that they started taking strategic planning seriously several years ago and they developed metrics to measure the achievement of goals. As the strategic plans evolved, they realized that everyone at the institution has to be involved.

Mr. Bland asked where the relationships with the community and the community focus falls when thinking about the strategic plan. The committee members said that while mutuals do not have shareholders, they can use the community as a proxy for shareholders. Giving back is an important part of the mutual culture and it resonates with new customers and millennials because they are used to community involvement themselves. Customers refer loans and other business of nonprofits to mutuals because they like and appreciate the culture.

Mr. Bland asked the committee members to discuss some of the weaknesses of the business model and how to address them. Committee members said that although they are good at lending of all types, some commercial customers do not consider a mutual a real bank. They also struggle with recruiting talent. In some markets, mutuals suffer because they are not able to offer the compensation arrangements that larger stock banks can offer. The response is to promote the environment.

Committee members also noted that they cannot be apologetic about asking for business. Committee members noted that they lose business to larger banks that can offer more competitive pricing but the mutuals can compete on speed and personal service. It is important to get name recognition in the community. Comptroller Curry said that the former distinctions between a thrift and a bank are fading and asked whether the charter flexibility proposal would help with the perception.

Committee members described the education of new board members and staff who do not know the history or the culture and want to merge with larger banks. Members discussed the perception in the market of credit unions and the distinction of being a mutual. The large number of new regulatory requirements is driving staff away and committee members report that it is difficult to recruit experienced staff who do not become frustrated and leave. Committee members mentioned the new mortgage rules and the cybersecurity risks as compliance concerns.

Mr. Bland asked about expenses and inquired what the sources of revenue are today. He asked whether committee members are diversifying their income stream. Committee members noted that opportunities exist in different parts of the bank. Technology provides opportunities for services but the bank needs front line staff with relationships. Other committee members offer products that other banks in the community do not offer or interact with customers differently.

Mr. Bland asked whether new products were on the horizon, or whether it depends on the market. Committee members said that they are developing new products to appeal to the commercial customers because the demographic for consumer products is not favorable. The committee members would like younger customers but it is hard to reach them. Mr. Bland asked about the value of branches and the committee members replied that it is hard to be a community

bank without branches. However, it is necessary to enhance the electronic services that are provided. The committee members invest in electronic banking and shrink the size of branches.

Committee members observed that the electronic versus branch discussion highlights the value of strategic planning. Bank management and the board has to look at everything and they decide what business to be in. As customers age and move for part of the year, online banking is a necessary offering.

Mr. Bland asked about talent management. Committee members described programs that they had developed to attract new employees and retain staff once they have been trained. Committee members described training programs they have developed to try to retain younger staff members. It is important to have middle management with the right skill sets to be able to be promoted over time. Committee members look for staff with different experiences, for example a retail background instead of a banking background.

### **Cybersecurity Assessment Tool**

Mr. Brickman described the background for the Cybersecurity Assessment Tool that has been developed and issued by the FFIEC. Cybersecurity is a critical issue for the agency and all banks. Comptroller Curry made cybersecurity risk a top priority when he was the chairman of the FFIEC and the CAT has been developed to look at the risk profile of banks of all charters. The documents are on the FFIEC website and the goal was to make the tool scalable for all banks. As the risks continue to evolve, the tool will help institutions and examiners do a raw assessment of the vulnerabilities and the controls at banks. The CAT also will look at the maturity of the bank's systems. The assessment will evolve over time. There will be a webinar for bank management on July 30.

Blake Paulson, the Deputy Comptroller for the Central District, addressed how examiners will be looking at the CAT and how they will be using it. He explained that the CAT was recently made available and examiners and others in the Districts are working through the details. Mr. Paulson said that Cybersecurity is not an IT issue but it is a safety and soundness issue and every examiner will have training with the CAT not just the IT examiners. Beginning in the fourth quarter, the CAT will be part of exams. Completion of the tool is optional for bank management, but if the bank does complete it, the review will be a collaborative effort. The results will not be made part of the Report of Exam and an MRA will not be issued based on the results of the CAT. Mr. Paulson explained that there will be overlap with IT examinations and MRAs may be issued as a result of a finding as part of the IT examination. Each agency is using the CAT differently.

Committee members asked questions about what is covered. Committee members described some of the preparations they have begun to make to be prepared for the CAT. Comptroller Curry reiterated the importance of preparation in this area and said that cybersecurity risk is a systemic risk. Committee members mentioned they hope the agencies will use the CAT with the third party service providers.

## **Member Roundtable**

Each of the committee members shared thoughts on issues faced by mutual institutions and community banks in general. Common themes included the following:

- Competition from credit unions and shadow entities
- Regulatory burden and the EGRPRA review
- Pressure of compliance in the current environment
- Compliance with new mortgage rules
- Examination consistency
- Strategic planning
- Status of the mutual institution segment of the industry
- Shift in customers' expectations
- Aging workforce and succession planning
- Preparedness for the cybersecurity risks and engaging the bank's customers
- Cyber Assessment Tool
- Capital concerns for mutual institutions
- Succession Planning
- Risk appetite

## **Legislative Update**

Carrie Moore, Director, Congressional Liaison, gave a legislative update. She reminded the committee members that two Members of Congress would be participating in the Forum. She said that it speaks well of the industry that they are willing to attend. Both members are interested in community banks generally, and mutuals in particular. Ms. Moore urged the committee members to ask questions at the conclusion of the formal remarks.

Ms. Moore explained what the Office of Congressional Liaison's role at the OCC is. Staff provides technical information and advice to congressional staff persons. Staff do not lobby or advocate. The office follows issues of interest to the OCC, including issues that are outside the area of financial services. The OCC has testified three times during 2015 so far. There are a number of legislative proposals pending this year.

Ms. Moore reminded the committee members about the three legislative initiatives for community banks supported by the OCC. They are increasing the asset threshold for institution eligible to be examined on an 18-month cycle; providing an exemption for community banks under \$10 billion in assets from the Volcker Rule; and providing greater flexibility to federal savings associations. Ms. Moore mentioned other pending bills of interest to community banks. Committee members asked her the status of proposals for regulatory burden relief and Dodd Frank reform.

### **Mutual Forum Discussion and Committee Planning**

Mr. Brickman briefly described the agenda for the OCC Mutual Forum. He then asked the committee members to let him know what topics they would like to have discussed at future meetings.

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

A member of the public said that she would like to have a discussion with the OCC about the development of a mutual equivalent of common stock.

Mr. Brickman adjourned the meeting.

Certification

/s/ Michael R. Brickman

Michael R. Brickman  
Designated Federal Officer