



**Minutes of Meeting
of
OTS Mutual Savings Association Advisory Committee
October 28, 2009
Chicago, Illinois**

8 a.m. – Closed Meeting

- This portion of the meeting was used to address administrative matters

8:30 a.m. - Public Meeting

I. Welcome

The meeting of the OTS Mutual Savings Association Committee was called to order. Attachment A is a list of persons who attended the meeting.

II. Introduction of members

The members of the committee introduced themselves and highlighted issues that were of interest to them, including the impediments to the ability of mutuals to participate in Administration's Capital Participation Program and programs for small business lending, executive compensation proposals, and the possible acquisition of troubled mutual institutions.

III. Status of the mutual industry

OTS Deputy Director Barnes and Chicago Regional Director McKee discussed the general health of the mutual segment of the industry. Mutual associations hold about 5.9 percent of industry assets but represent about 38 percent of the OTS supervised associations. The numbers indicate that mutual savings associations generally are well-rated and have higher capital levels. Mutual savings associations continue to have concerns about the inability to raise capital, particularly if higher capital levels are required in the future by the federal regulators.

OTS staff and the members of the committee also discussed concerns about interest rate risk in the future. Alternative capital raising ideas were discussed, for example, the use of mutual capital certificates and pledged deposits. The use of net worth certificates by credit unions was discussed. The members of the committee requested that the OTS

staff consider the use of pledge deposits under certain circumstances as a means of facilitating acquisitions of mutuals.

IV. Possible regulatory restructuring and the impact on OTS

OTS staff provided an overview of the current status of the Regulatory Reform legislative discussions. The committee discussed the presentation that OTS Acting Director Bowman had made before a group of bankers several months ago and how the group had received his remarks. A general concern was noted that groups that are able to lobby for the preservation of the OTS did not view such a use of resources as a priority. The members of the committee expressed concern about the future of the mutual charter if the savings association charter option were eliminated or if OTS is eliminated as a regulator. The members of the committee turned to a discussion of charter choice and the ability of management and the boards of depository institutions of all charter types to convert their charter based on business need and not as a result of Congressional action.

OTS staff clarified for the group that OTS is not permitted to lobby on this or any other issue. Members of the committee discussed the threat that a single federal regulator is to mutuality and the importance of charter choice. The committee discussed the possibility that the Office of the Comptroller of the Currency would become the federal regulator of federal mutual savings associations. Members of the Committee asked about the differences between the OTS and the OCC.

V. Current discussion topics

Additional discussions about the ability of mutuals to apply for TARP funds were brought up in the context of the Administration's new initiatives. The recent initiatives to increase the ability of and/or desirability for community banks to apply for TARP funds do not address the concerns of mutuals. The capital treatment is still Tier 2. Specific questions were raised by the members of the committee regarding the use of pledged deposits in specific circumstances. OTS staff responded and requested additional information in writing regarding these ideas. Members of the committee and OTS staff also discussed mutual capital certificates: whether mutuals would use them and under what circumstances and terms. The members of the group also asked whether the OTS would require higher capital in the future. A discussion of the priorities of mutual management addressed some of the differences in capital levels that are considered by the agency in looking at mutuals.

As a result of materials produced by consultants, the members of the group were concerned about whether the OTS and other federal regulators would impose restrictions on compensation at insured depository institutions generally. In particular, members of the committee expressed concerns about incentive compensation requirements being developed by the Securities and Exchange Commission. OTS staff described the supervisory approach regarding compensation used by OTS and clarified that many of the requirements described do not apply to mutual institutions as they are based on disclosures that are required for public companies.

OTS staff reminded the committee members that OTS has supervisory guidance on compensation for mutuals in particular and that unless there is a supervisory concern that is what the members of the committee should look to.

Members of the committee also asked a number of questions regarding the process used by the FDIC to market failing banks. For example, the members of the committee expressed interest in how the FDIC markets failing mutual banks. Very few mutual banks have failed so there is not a separate process.

VI. Future meetings, agenda topics, possible guest speakers

The members of the committee requested that future meetings be held to discuss the future of OTS and the impact of any possible reform legislation.

VII. Roundtable Discussion

VIII. Public Statements, if any.

There were no public statements submitted

11:30 p.m. Adjourn

These minutes have been certified by Charlotte M. Bahin, Designated Federal Official for the OTS Mutual Savings Association Advisory Committee.

/s/ Charlotte M. Bahin
Charlotte M. Bahin
Designated Federal Official

Attachment A

**Members Attending October 28, 2009 Meeting of the
OTS Mutual Savings Association Advisory Committee**

Wayne Cottle
Dana L. Stonestreet
William H. Johnson Jr.
David H. Summers
William R. White
Ronald Romig
Steven J. Swiontek
C. Alan Horner (By Telephone)
Gray Base

OTS Staff:

Thomas Barnes
Dan McKee
Charlotte Bahin