



**Minutes of the Meeting of the OTS Mutual Savings Association
Advisory Committee
June 9, 2009**

8 a.m. – Closed Meeting

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

8:40 a.m. Public Meeting

I. Welcome

OTS Acting Director Bowman called the meeting to order and welcomed the members of the Mutual Savings Association Advisory Committee. He described the agenda for the meeting and requested that the members of the group provide feedback on agenda topics. He also requested that the members of the group speak as candidly as possible about the issues raised as part of the agenda and in discussion. The purpose of the Advisory Committee was addressed and staff persons at OTS who will support the group were introduced.

II. Introduction of members

Each of the members of the Advisory Committee was given an opportunity to talk about his institution, his community and issues of concern. The members of the committee described the unique features of the institutions and the communities served by the institutions. Each member addressed the importance of retaining the mutual charter for their business model. The limitations of the business model also were highlighted.

III. The status of the mutual industry

OTS Assistant Deputy Director Barnes reviewed the numbers that had been prepared by OTS staff. The performance of the mutual segment of OTS supervised savings institutions was described. Mutual institutions tend to be smaller than stock institutions but generally have higher capital levels and have a better return on assets ratio. Barnes addressed some of the trends that likely will emerge as the current economic environment evolves. General economic conditions including unemployment, government programs and loan demand were discussed. Interest rate risk for loans on one to four family properties that are held in portfolio may be of concern in the future as rates rise. Funding

concerns were also highlighted, as well as the uncertainties regarding diversification of lending and other products in the current environment. Several accounting issues were raised. The members of the group discussed capital levels for mutual institutions in this environment and in the future. The cost and availability of capital were addressed.

Concluding comments included reminders about funding sources as consumers look at deposit rates and become more interested in the market. The members of the Committee agreed that raising the deposit insurance limit was an important positive action.

IV. Possible regulatory restructuring and the impact on OTS

Acting Director Bowman provided the members of the Committee with a historical perspective on past efforts to restructure or reorganize the regulatory framework for financial institutions. He described efforts in the 1980's and 1990's that would have consolidated the regulatory agencies. In the context of the events of 2008 and 2009, Bowman described the arguments for regulatory agency consolidation and then refuted them by showing that the facts do not support the popular arguments. He described the OTS's record of supervision and compared the numbers of institutions that converted to a savings association charter to those that converted to a state or national bank. He addressed the argument posited by the press and others that institutions convert charters in order to be regulated by another agency. Bowman explained that institutions convert to or from a savings association charter because of the operational focus or business plan of the institution. If a bank can be primarily a mortgage or consumer lender, a savings association charter may make more sense than a national bank charter.

Bowman turned to the ideas that have been proposed for regulatory reform, including the creation of a systemic risk regulator or a Council made up of representatives of all sectors of financial services. Other ideas that have been discussed include establishing a resolution framework for nonbank entities. He also described the proposals for consolidation of the bank regulatory agencies and filling the regulatory gaps that are at the center of the current crisis. He then described the timing of the release of the Administration's proposed white paper and how the schedule has slipped but the President continues to want to have reform legislation completed by year end 2009.

The members of the Committee discussed some the alternatives for reorganization that had been in the press in the past few months. The timing of any possible changes to the regulatory framework and what steps would be needed to be accomplished in a short time. The operational difficulties of possible changes to organizational structure of the institutions that may be necessary were highlighted. The gaps in current regulation and how to fill them were discussed. The general mood of the debate from a congressional perspective as well as from the perspective of the American people as a driver for reform was also addressed. The members of the Committee generally are concerned that the decision makers do not understand the unique characteristics of mutual institutions and will not give much attention to how the change will impact them.

The members of the Committee discussed some of the changes that might be required as part of any regulatory restructuring especially if OTS is eliminated as an agency. An educational effort was considered as a Committee project. The audience for such an effort was discussed and the importance of education by bankers themselves was mentioned. The value of the thrift charter more generally was also discussed.

The members of the Committee described outreach that they undertake in their own communities to raise awareness about the importance of the mutual charter.

V. Current discussion topics

The Committee discussed the following topics:

- What makes a mutual unique

The members of the Committee reiterated some of the unique features and benefits of having a mutual charter. The local nature of the business and the involvement in the community were addressed. The longer term focus of mutual management also was highlighted.

- Governance concerns, including issues with nonlocal depositors

The Committee discussed the model charter and bylaws that are found in the OTS regulations. Other governance issues regarding board membership and depositor rights were discussed. The recent activities of activist depositors were described. Committee members provided insights regarding their experiences with such depositors.

- TARP participation and other capital raise issues, including MHCs, combinations and merger conversions

At the request of several members of the Committee, the OTS staff discussed some of the issues regarding the TARP program as they relate to mutual institutions. The Term Sheet for use by mutual institutions wishing to participate in the program was issued late in the process and to date no mutuals had been awarded funds in the TARP program. Other capital raising ideas were discussed including: mutual capital certificates, supervisory conversions, non withdrawable deposits and minority stock issuance after formation of a mutual holding company. With regard to many forms of capital raising by mutuals, the OTS is concerned about the rights of depositors, making many of the alternatives difficult to achieve. The Committee members and the OTS staff agreed to look at some alternatives creatively.

VI. Future meetings, agenda topics, possible guest speakers

The members of the Committee suggested that additional meetings be held by telephone as well as in person. Goal setting for the Committee was highlighted as an important agenda topic for meetings. Several suggested outside speakers were suggested, including

an economist. The pros and cons of drafting a paper that can be used for purposes of education were addressed. Other future agenda topics include a closer review of charter and bylaws and possible changes.

VII. Roundtable Discussion

The members of the Committee each discussed the economic environment in their own communities.

VIII. Public Statements, if any.

There were no written public statements submitted and the members of the public who attended the meeting did not request an opportunity to speak at the meeting.

2:30 p.m. The meeting was adjourned.

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: Attendees

Attachment A

**Members Attending June 9, 2009 Meeting of the
OTS Mutual Savings Association Advisory Committee**

Wayne Cottle
President and CEO
Dean Bank
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OTS Staff:

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Timothy Ward
Thomas Barnes
Lori Quigley
Charlotte Bahin