

OCC Mutual Savings Association Advisory Committee
Monday, June 17, 2013
1:00 o'clock pm

In keeping with the Mutual Savings Association Advisory Committee (MSAAC) charter objectives to discuss issues of importance to mutual savings associations and provide advice and recommendations to OCC, please consider the following questions for discussion at the June 2013 meeting. Please give some advance thought to the following questions to facilitate a robust discussion to help us understand and respond to the needs and interests of mutual thrifts.

Examiner Guidance

The OCC is considering updating the OTS guidance¹ issued to examiners that highlights and describes the unique supervisory concerns encountered when examining mutual institutions. Generally, the expectations of examiners are the same whether the Federal savings association is in mutual or stock form, but there are unique features of the mutual charter that it might be useful to summarize for examiners in one document. The OTS guidance was issued in 2001, and the OCC is aware that it needs to be updated because of the passage of time as well as to address issues that have resulted from the transfer of Federal mutual savings associations to OCC supervision. The following general questions are a starting point for the discussion about updating the guidance.

- In your experience, were there areas about which examiners did not seem to understand the distinction between mutual and stock institutions? During your first OCC examination, what did you have to explain?
- For each of the components, what would it be useful for examiners to know? What factors do you think it would be helpful to address for each of the components:
 - Capital
 - Asset Quality
 - Management
 - Earnings
 - Liquidity
 - Sensitivity
- What are the general areas of difference for each of the CAMELS components for mutual and stock institutions?

¹ While the CEO Memo is rescinded, the underlying guidance was incorporated in several sections of the OTS Examination Handbook and continues to apply.

- In addition to the exams that focus generally on the business and operations of mutuals, are there factors unique to mutual savings associations that come up in specialty exams that the OCC should address in guidance to examiners. Specialty examinations include CRA, information technology, asset management, and compliance.
- What are the lessons learned from the past five or six years that would be useful to address in guidance with regard to the operations and business of mutuals?
- In addition to updating this mutual specific guidance, are there other steps OCC can take to help ensure that examiners understand the mutuals they are supervising?

Charter Considerations

The following chart summarizes federal mutual thrift charter changes since January 2010.

| Federal Mutual Thrift Charter Changes between January 1, 2010 & June 10, 2013 | | | | |
|---|----|------|----------------|----------|
| | # | % | Assets (\$000) | % Assets |
| Conversions to State Charters | 14 | 29% | 2,871,532 | 25% |
| Conversions to National Banks | 0 | 0% | 0 | 0% |
| Conversions from Mutual FSA to Stock FSA | 17 | 35% | 6,560,430 | 57% |
| Mergers into Mutual FSAs | 3 | 6% | 193,111 | 2% |
| Mergers into Stock FSAs | 3 | 6% | 335,957 | 3% |
| Acquisitions by State Charters | 3 | 6% | 277,904 | 2% |
| Failures | 8 | 17% | 1,208,219 | 11% |
| Voluntary Liquidations | 0 | 0% | 0 | 0% |
| Total | 48 | 100% | 11,447,153 | 100% |

- What factors drive mutual institutions to convert to stock?
- What specific factors weigh in a mutual institution's decision to convert to a state charter?
- What options do you see to optimize the mutual thrift charter?
- Are there specific areas that OCC could address without legislative changes?