

April 23, 2015

Members of the Mutual Savings Association Advisory Committee
Attn: Donna Deale, Designated Federal Officer,
Office of the Comptroller of the Currency,
400 7th Street, SW,
Washington, DC 20219

Dear MSAAC Members:

I am writing on behalf of the members of the American Bankers Association to express our strong support for two pieces of legislation sponsored by Rep. Keith Rothfus (R-PA) that are of great importance to significant sectors of the banking industry. These measures will provide greater flexibility to many of America's hometown banks and the communities they serve.

The first bill, H.R. 1660, the Federal Savings Association Charter Flexibility Act, would implement a proposal offered by the Office of the Comptroller of the Currency (OCC) to provide greater flexibility to both mutual and stock thrift institutions chartered under the Home Owners Loan Act (HOLA).

The proposal adds a new section to HOLA that would give federal savings associations the flexibility to exercise national bank powers without changing their charters. Because the OCC already supervises both charters, it has the experience and the expertise necessary to ensure that a federal savings association exercising this added flexibility operates safely and soundly.

Increasingly, taxpaying federal savings associations seeking to engage in additional activities to serve their communities are unable to do so because they are constrained by current limitations in HOLA. Under existing law, a federal savings association must convert to a bank charter to implement a strategic decision to engage in commercial or consumer lending to a greater extent than is permitted by HOLA. However, particularly for smaller institutions, charter conversions can be time consuming and burdensome. Federal mutual savings associations face especially hard choices since they must convert to the stock form of organization before they can convert their charter. H.R. 1660 would provide a more efficient and less expensive way for these institutions to adapt to meet the needs of their customers and communities, and to do so without changing charter or ownership structure.

The second bill, H.R. 1661, the Mutual Bank Capital Opportunity Act, is an equally important proposal that would provide taxpaying mutual institutions with a new investment tool to raise tier one capital. Such a tool is essential for many mutual institutions, which have no shareholders and are limited to retained earnings to increase capital levels – a slow process that can limit ability to pursue emerging needs and market opportunities. Boosting earnings is challenging in

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most times, but especially so in the current environment with increased expenses resulting from the Dodd-Frank Act. The Mutual Capital Certificate will assist with capital raising efforts, as mutuals grow to meet the needs of their communities. The Mutual Capital Certificate, by statute, will qualify as Tier One common equity capital. This will allow taxpaying mutuals to raise targeted amounts of capital to satisfy regulatory and growth needs without sacrificing their mutual charter.

Mutual banks have a long history of serving their communities and promoting local growth, and the mutual charter is one of the oldest in the nation. There are over 566 mutually chartered institutions with \$249 billion in assets across the country, ranging in size from well under \$100 million to over \$1 billion. H.R. 1661 does not just help these institutions grow capital, it helps their communities grow and thrive as well.

On behalf of the members of the American Bankers Association we thank the MSAAC and OCC for leadership in helping to develop legislative and regulatory proposals that will assist in the safe and sound growth of our nation's mutual banks, helping them and the communities they serve prosper. We urge the OCC and mutual bankers to support passage of these important pieces of legislation.

Sincerely,

A handwritten signature in black ink that reads "Robert R. Davis". The signature is written in a cursive, flowing style.

Robert R. Davis

cc: Hon. Keith Rothfus