Minority Depository Institution Advisory Committee Minutes
June 17, 2020

The Minority Depository Institution Advisory Committee (MDIAC) convened an inaugural virtual meeting at 10:00a.m. Eastern Daylight Time on Wednesday, June 17, 2020. The Office of the Comptroller of the Currency (the OCC), management and staff attended largely from OCC Headquarters in Washington, DC. Committee members, external speakers and external panelists attended virtually. The meeting was held in accordance with the provisions of Public Law 92-463 and open to the public.

Advisory Committee Members Present
Natalie Abatemarco, Managing Director, Citi Community Development and Inclusive Finance; **Jerome Brown**, Senior Vice President and Director of Community Development, The First, A National Bank Association, Hattiesburg, MS; **John H. Hou**, Chairman of the Board of Directors, president and Chief Executive, Asian Pacific National Bank, San Gabriel, CA; **Valerie Mann**, Senior Vice President, First National Bank of Gordon, Gordon, NE

OCC Participants Attending
Brian Brooks, Acting Comptroller of the Currency, Washington, DC; **Blake Paulson,** Senior Deputy Comptroller, Acting Chief Operating Officer and Chief National Bank Examiner, Washington, DC; **Beverly F. Cole**, Deputy Comptroller for the Northeastern District and Designated Federal Officer, New York, NY; **Jason Almonte,** Special Counsel, New York, NY; **Charlotte Bahin,** Senior Advisor for Thrift Supervision, Washington, DC; **David Black,** Community Development Expert, Compliance and Community Affairs, Washington, DC; **Generra Boozer,** Associate National Bank Examiner, Dallas Field Office, Dallas, TX; **Ralph DeLeon**, Director for Banking Relations, Washington, DC; **Lissette Flores,** Community Relations and Minority Affairs Specialist, Washington, DC; **Grovetta Gardineer**, Senior Deputy Comptroller for Bank Supervision Policy, Washington, DC; **William (Bill) Haas**, Deputy Comptroller for Midsize Bank Supervision, Washington, DC; **Maryann Kennedy,** Senior Deputy Comptroller for Large Bank Supervision, Washington, DC; **Ernie Knott,** National Bank Examiner (Financial Analyst), New York, NY; **Christopher (Chris) McBride,** Director for Market Risk, Washington, DC; **Andrew T. Moss**, Director for Minority Outreach, Washington, DC; **Donna M. Murphy**, Deputy Comptroller for Compliance Risk Policy, Washington, DC; **Brittany Shaw,** Program Analyst, External Outreach and Minority Affairs, Washington, DC; **Jasmine Talton,** Counsel, Southern District, Dallas, TX; **Kevin Walsh,** Deputy Comptroller for Market Risk, Washington, DC; **Barry Wides**, Deputy Comptroller for Community Affairs, Washington, DC; and **Nida Zaman**, Congressional Affairs Specialist, Washington, DC

External Speaker
Antonio Doss, District Director, U.S. Small Business Administration, Washington, DC

Public Observers
Tim Alexander, Triune Consulting, Managing Director, Ventura, CA; **Brian Argrett,** President and Chief Executive Officer, City First Bank, Washington, DC; **Diana C. Banks,** Vice President and Senior Counsel, American Bankers Association, Washington, DC; **Donald Bowers,** Vice President, Federal Reserve Bank of Dallas, Houston, TX; **Robin Cook,** Vice President, Senior Legislative Counsel, American Bankers Association, Washington, DC; **Mike Dai,** Senior Vice President, Compliance Officer, Mission National Bank, San Francisco, CA; **Julieta Ezeiza,** Senior Outreach Advisor, Federal Reserve Bank of Dallas, Dallas, TX; **Sandra K. Kerr,** Senior

Program Specialist, Federal Deposit Insurance Corporation, Washington, DC; **Tesia Lemelle,** Program Manager, Federal Reserve Bank of Philadelphia, Philadelphia, PA; **Laura Loeffler, J.D**., Assistant Vice President, U.S. Bank, Fair and Responsible Banking Division, Minneapolis, MN; **Warren K.K. Luke,** Chairman, Hawaii National Bank, Honolulu, HI; **Misty Mobley,** Senior Review Examiner, Federal Deposit Insurance Corporation, Washington, DC; **Jena Roscoe,** Senior Vice President of Government Relations, OPERATION HOPE, Inc., Washington, DC; **Betty J. Rudolph,** National Director, Minority and Community Development Banking, Federal Deposit Insurance Corporation, Washington, DC; **William Tiernay,** Lead Financial Institution Policy Analyst**,** Federal Reserve Board of Governors, Washington, DC

Call to Order and Welcome – Beverly Cole
The event producer (Will) provided instructions to the participants on opening the chat panel and to anyone requiring technical assistance to send a question to the event producer. Also, Will noted that all telephone lines would be muted until the question and answer portion of the call. Further participants could send questions through the chat panel until the lines are opened for questions in the question and answer session. The call was then turned over to Northeastern District Deputy Comptroller and Designated Federal Officer (DFO) Beverly Cole. Ms. Cole thanked Will for providing instructions to the audience and opened the meeting.

DFO Cole welcomed all in attendance to the first OCC Virtual MDIAC Meeting. The MDIAC members attending were acknowledged. Also, DFO Cole indicated the agenda would proceed as printed with the exception of SDC Gardineer and DC Walsh exchanging time slots due to an unforeseen conflict. Ms. Cole also thanked Charlotte Bahin, Andrew Moss, Ralph DeLeon and Barbara Jennings for their exceptional assistance with Ms. Cole's duties as the DFO. Further MDIAC Members Natalie Abatemarco, Valerie Mann, John Hou, and Jerome Brown were acknowledged for joining today's meeting. Finally, DFO Cole acknowledged the public observers from California, Hawaii, Minnesota, Pennsylvania, Texas, and Washington, D.C. for being on the telephone. Attendees were reminded the meeting is open to the public and meeting minutes will be published on the Treasury Federal Advisory Committee Act (FACA) website.

Next, DFO Cole, acknowledged and thanked the Acting Comptroller of the Currency (ACoC) Brian Brooks and Senior Deputy Comptroller (SDC), Acting Chief Operating Officer (ACOO) and Chief National Bank Examiner (CNBE) Blake Paulson for their attendance and participation in the meeting. Ms. Cole then turned the meeting over to ACoC Brian Brooks.

Acting Comptroller of the Currency Brian Brooks
ACoC Brian Brooks stated he hoped this was our first and last virtual MDIAC Meeting as he looks forward to meeting the members in-person. ACoC opened the meeting with an acknowledgement on the state of the world at this moment and the critical importance that MDIs play in finding a way forward for society. ACoC shared that the root of the protests in the street about injustice at some level is a feeling that the economic system has benefited so many people but not everyone and it has not been accessible by everyone. ACoC stated he worked on financial access for at least the past 20 years of his career. He further stated he believes that Minority Depository Institutions are the tip of the spear…creating economic opportunity for their customers and for their communities.

ACoC Brooks shared that the OCC must find ways of investing in the success of MDIs and not just their existence. He also indicated a desire to partner with MDIs as macro and structural solutions to the cause of current events are sought. He then turned his comments to the state of MDIs in America, it's a good news, bad news story.

The good news is that the number of MDIs in the United States has remained relatively stable over the last five to seven years. It has declined slightly, but it's remained relatively stable during a period of significant merger activity, significant consolidation, and some economic challenges. The bad news is there are not many MDIs. As ACoC,he wants to learn what can be done to understand what makes MDIs vibrant and successful and what makes them major drivers of community growth in the communities where MDIs operate. He further stated that he wants to study the takeaways from today's meeting. And, acknowledged the ideas historically from these sessions have helped the OCC shape policy, helped improve our supervision, helped OCC make connections between MDIs and other banks in the system that are not MDIs. ACoC Brooks shared that he has a career of dedication to this work, i.e. chairing the Board of the National Foundation that was devoted to low-income financial access, promoting Minority Homeownership and his jobs at Fannie Mae and other places where he helped stand up the first loan modification programs to work with distressed people and communities in financial crises. He also acknowledged that the dynamics that everyone is in a profit-making business and trying to make money on a sustainable basis, harnessing market forces to serve the various communities and constituencies but which have been in some cases, victims of long-term economic inequality. ACoC Brooks wants to learn more so under his leadership OCC can be more useful to MDIs as a supervisor and as a policymaker. He shared his desire to learn how opportunities can be created for MDIs as going concerns. He held the OCC's recently finalized Community Reinvestment Act (CRA) as one example with its specific provision in our CRA, which incentivizes big banks to make investments in MDIs.

This provision is OCC's attempt to create a sustainable economic model that gives MDIs access to stable capital and gives MDIs the things that come with having sophisticated investors. The agency believes these things will help, as well as the benefit we get from the MDI Collaboration Roundtables. The MDI Collaboration Roundtables help inform OCC's policy choices going forward about what we can do to reinforce MDIs business models. ACoC looks forward to some actionable ideas for how to, not only preserve the existing group of MDIs in the United States, but to grow the population and to grow MDIs' balance sheets.

Next ACoC Brooks stated that each of the MDIs represent institutions that serve as vital resources. While MDIs serve specific communities and have a specific role in the banking ecosystem; they like the broader banking industry, serve as a source of strength for the underlying economy. So, in this time of economic uncertainty this is the reason for some of the Dodd Frank reforms for capital, liquidity, as well as the reason we need the credit system to function. OCC will also look at regulation and risk management. ACoC Brooks encouraged the MDIs to look at their balance sheets and think about prudent risk management on the one side, but also the role MDIs play in supporting the actual economy by providing credit, other forms of liquidity, and understanding MDIs' role in seeing the country through this time.

ACoC Brooks provided some insight into a personal passion project focused on the approximately 50 million people in the United States who are not in the normal credit bureau system. These persons lack a credit score and are very hard to lend to because there in not a good measure of creditworthiness. ACoC Brooks stated we need to work together to find ways of bringing these credit invisibles into the system. He reported there are a couple initiatives underway at OCC to solve this problem. This will take a population of people who skew heavily minority and heavily poor and bring them into the wealth creation system, which is the banking system. This will then create a new class of customers for your institutions. Once this problem of 50 million people without a credit score is solved; these persons can become MDI customers and help grow MDI balance sheets and income statements as well as become profitable members of your communities. ACoC again stated he looks forward to the takeaways that come out of today's meeting.

ACoC ended his interaction with the MDIAC members by stating "We don't have time in this country to spend another two months debating interesting points of banking theory. Now is the time when our communities need credit. They need growth, and they need inclusion. I think us and you together, we can partner to make all of that happen."

Senior Deputy Comptroller (SDC), Acting Chief Operating Officer (ACOO) and Chief National Bank Examiner (CNBE) Blake Paulson

The meeting was turned over to SDC and ACOO and CNBE Blake Paulson who shared that he has been in his current role about one and one-half weeks but has been a regulator with the OCC for 34 years involved in the supervision of community banks across the country in various roles. He reported he came to Washington about seven months ago to head up OCC's Midsize and Community Bank Supervision (MCBS) group and moved into the COO and CNBE role upon Comptroller Otting stepping down and Brian Brooks taking over as Acting Comptroller. COO Paulson reported he now has responsibility for not only MCBS but Large Bank Supervision, as well as our systemic risk group that runs our national risk committee, and the group that runs the backroom operations of the OCC. He reported we at the OCC are very passionate and have a very deep interest in helping the success of the nation's community banks, with a particular focus on community institutions that are minority-owned and serving minority communities.

COO Paulson stated we at the OCC recognize the challenges of running a community bank and banking in general, particularly the environment we're in today. He also affirmed OCC's need to hear from MDIs about the challenges which will help inform OCC's policy decisions, inform how we supervise banks, particularly in times of stress like we're in today. He also spoke about the importance of good open two-way communication between bankers and regulators being critical. COO Paulson acknowledged the efforts of the MDI Collaboration Initiative including Deputy Comptroller for Midsize Bank Supervision Bill Haas' leadership, Beverly Cole and Andrew Moss and others' support as well as the bankers engaged in this effort. He reported we've seen some good outcomes from the MDI Collaboration Initiative and that it is a great venue to leverage. COO Paulson acknowledged that not meeting in person until 2021 should not slow down our efforts to find ways to form partnerships and initiatives between MDIs and large community banks, midsize banks, and the largest banks.

He highlighted, as an example of the MDI Collaboration Initiative, Citibank's relationship with several MDIs related to the Paycheck Protection Program (PPP). COO Paulson stated he was impressed with the level of effort and engagement by banks across the country of all sizes to really lean into the PPP. While it was challenging putting together a large program in a short period of time; the comments we heard from bankers was a desire to be engaged and part of the solution despite the uncertainty and operational challenges. The majority of OCC supervised banks became involved in PPP. It was a challenge for smaller banks and for some MDIs from a balance sheet perspective to have the liquidity and the capital to put those loans on your books even though they were expected to be on your books for a relatively short period of time. The partnership with Citibank was very innovative where Citibank was able to purchase the PPP loans from MDIs, relieve the strain on MDIs' balance sheets and allow MDIs to be part of the solution by providing capital for small businesses to help them survive this unprecedented period.

COO Paulson thanked MDIAC member Natalie Abatemarco and Citibank for their efforts on their MDI Collaboration effort with the PPP. It is just one of the great examples of things that can come out of partnerships between MDIs and other financial institutions. He reported OCC will continue to promote these type efforts.

State of MDIs – National Bank Examiner (NBE) and District Financial Analyst (DFA), Northeastern District - Ernie Knott

Next, DFO Cole introduced NBE and DFA Analyst Ernie Knott and turned the meeting over to him to provide an overview of MDIs' first quarter 2020 financial performance. His presentation was visible on WebEx to meeting participants.

DFA Knott highlighted some biographical information including he is a 1984 graduate of Florida State University with a degree in finance. He started his OCC career in Miami, Florida as an Assistant National Bank Examiner and became a Commissioned Bank Examiner in Miami and moved to the New York area in 1989. He held a variety of positions in the field and in the district office and became Cross-Credentialed in 2014 which provides the authority to lead examinations of both national banks and Federal Savings Associations (FSAs). As an OCC DFA he focuses on analytics and creates meaningful and helpful Management Information Systems (MIS) for managers and field examiners. DFA Knott's agenda revealed three parts: (1) portfolio demographics (location of institutions, age of institutions, branch structure), (2) review of composite ratings, and the component ratings of Capital, Asset Quality, Earnings, Liquidity and Sensitivity (CAELS) areas, and (3) discussion of supervisory information which is the information OCC gathers from examinations. This includes evaluations examiners make about risks facing the institution, matters requiring attention trends, and recent rating changes.

The information was presented on a forward-looking basis in terms of what we're seeing now as it relates to COVID-19 and maybe where we're heading for this group. DFA Knott reported that as of March 31st, the OCC supervised 1,247 institutions including NBs, Trust Banks, mutual FSAs, stock FSAs as well as Federal branches and Technology Service Providers (TSPs). For this presentation, DFA Knott focused on NBs and FSAs, collectively banks or 1,122 financial charters as of March 31, 2020. MDIs represent 4% of the 1,122 bank charters and about 2.5% of community bank assets supervised by OCC or approximately $18 billion. Since 2013 OCC charters declined about 34%. This declining trend holds true for national and state-chartered institutions largely due to industry consolidation, i.e. merger activity and a lack of de-novo charters. In the first quarter of 2020 OCC lost 12 charters which extrapolates to about 48 charters a year which is about 4%. Since 2013 there was a net decline of 8 MDI charters – lost 16 MDIs and gained 8 MDIs. Twenty-one percent of MDIs have become inactive which compares favorably to the OCC population of banks as a whole. The median size of an MDI is $218 million and MDIs are concentrated in Texas and California. The smallest MDI is in Wisconsin at $24 million in total assets, and the largest MDI is in Texas at $2.4 billion total assets. Also, all the MDIs are either NBs or stock FSAs, with 83% being NBs.

DFA Knott compared MDIs to a peer group of banks (760 banks) with total assets $3 billion or less and only community banks and stock FSAs since no MDI had total assets greater than $3 billion and MDI charters were either NBs or stock FSAs. DFA Knott noted that MDIs are generally smaller in size (61% less than $250 million, generally younger (only 17% older than 100 years, 26% operate from one location up to 61% with two or three locations.

Composite ratings have improved so far in 2020. No MDIs are 5 rated and the population of 1 rated MDIs grew compared to the prior year. Capital levels remain solid and MDIs are much better capitalized now versus pre-crisis. It was noted that the smaller banks had higher capital levels. DFA Knott discussed the Community Bank Leverage Ratio (CBLR) framework which some banks opted into for 2020. Overall capital ratings improved in 2020 with 87% of MDIs 1 or 2 rated.

There was a seven-basis point increase in the allowance for loan and lease losses (ALLL). Banks of all sizes, including the MDIs, were forward looking and made more provisions to the ALLL in the first quarter of 2020 even though we were only a few weeks into the pandemic. Currently, provision expenses are about three times higher than a year ago. If this continues it will be a drag on earnings, but more importantly, MDIs are increasing provision expenses in relation to the risks seen in their portfolios. The numbers indicate a slight increase in 90 days past due. The 30 to 89 days past due range remains manageable.

The first quarter reflects satisfactory loan growth. There is a lot of growth in the commercial real estate area (high concentrations). The 2009 crisis had a lot of banks with high concentrations that not only had higher losses, but also failed. This coupled with COVID-19 implications is a concern. Banks with a higher percentage of loans are disproportionately exposed to adverse events in the economy. Loan losses are low and losses for MDIs are 0.02 percent. Eighty-five percent of MDIs are one or two rated for asset quality. While there are fewer one-rated banks the overall population is doing better.

Earnings are down considerably this year. While ROAA is down, a larger concern is net income has fallen since 2012. Both components of operating revenue – net interest income and fee income – are declining. Also, the decline in rates (75 basis points at the end of the first quarter) resulted in a negative impact on net interest margin (NIM). The increase in provision expense had an adverse impact but alternatively fee income increased 35%. However, fee income was attributed to two charters that represent 58% of the growth. Fee income increased only 1% if those two charters are eliminated.

Non-interest income volume is declining relative to average assets. Three of the highest sources of non-interest income are loan sales, deposit service charges, and interchange fees. Non-interest expense is growing at a slightly faster pace than fee income. Slide 28 breaks down non-interest expense or overhead expenses into three components: personnel, overhead, and the other. Personnel expense is MDI's highest non-interest expense. So, the personnel expense area provides the greatest opportunity for MDIs to curtail expenses.

A review of the group by lender type reflects diverse lenders outperform other lender types. The only group that has an increased return is the agricultural lenders, and they're holding at 1%. The efficiency ratio is probably one of the most traditional measures of bank productivity. Also, it is important to note that banks with higher efficiency ratios are usually more likely to be acquired or sold. Earnings ratings reflect the highest percentage of three, four and five rated earnings, but they show improvement over the past four years.

On-hand liquidity levels remain strong and are much higher than pre-crisis levels. Smaller banks have higher levels of on-balance sheet liquidity than larger banks. Ninety-one percent of liquidity ratings are rated one and two. Non-Maturity Deposits help provide protection against declining rates, and MDIs have maintained themselves at higher levels since 2013. In addition, levels of long-term assets have declined since 2014. Since 2005, longer term funding for loans, securities, and the liability piece increased. But the gap is more pronounced for the other banks when compared to MDIs. Sensitivity ratings are doing very well. And, 93% are rated one or two; with the one rated population increasing.

Next, he discussed the quality of risk management. During examinations, OCC examiners rate the quality of risk management. And, if one area had to be designated as most important in the successful operation of a bank, it would be the quality of risk management. The way an institution identifies, measures, monitors, and controls its risk is very important.

Interest rate risk and liquidity risk management are very strong, but strategic risk management has the most insufficient and weak ratings. The difference between insufficient and weak is that with the insufficient category there's some deficient practices that have the potential to adversely impact the bank's condition if not addressed, and these deficiencies preclude a satisfactory rating, but the deficiency is not severe enough to support the category of weak. Examiners focus their supervisory efforts on the insufficient and weak population. Management ratings are also improving from the prior year with 80% rated one and two.

The final section of supervisory information covered today are the specialty ratings. Specialty ratings are information technology, asset management (trust), consumer compliance and the Community Reinvestment Act. Only three MDIs have trust powers. CRA is rated either a one or two at all MDIs. Only one institution is rated a three in bank information technology and consumer compliance. Examiners look at the high or moderate and increasing categories because the direction is a prospective element of the RAS where within 12 months, there is a possibility an institution rated moderate and increasing could become high. The top three risks are credit, strategic, and operational. Thirty five of 46 MDI charters are on an 18-month supervisory cycle. Banks on an 18-month cycle have a management or composite rating of a one or two, must be well-capitalized, must not be under a formal enforcement action, or must not have experienced a change in control in the prior 12 months.

The volume of Matters Requiring Attention (MRAs) for MDIs are down 35 percent year over year. MRAs were mainly centered in Bank Secrecy Act and Anti-Money Laundering, Commercial Credit and Bank Information Technology. Bank Information Technology is a national concern primarily given concerns with cybersecurity and evolving technologies.

Rating changes for MDIs are mostly in earnings and management with a net upgrade of 16. In the last year MDI ratings were upgraded more than they were downgraded.

In summary, DFA Knott mentioned the net number of MDIs has declined (15%), but not as rapidly as the community bank population (34%). Composite ratings are satisfactory and improved this year. Capital is strong. Overall financial condition is better now than when we entered the previous recession. Asset quality is satisfactory, non-current loans (90 days or more past due) remain low. Loan growth is satisfactory. ALLL levels have increased, which shows MDIs are proactively preparing for projected losses. Earnings are satisfactory but dropped sharply. It is only first quarter and we want to see what happens in the second and third quarters. Earnings is a category where more MDIs are three and four rated versus other rating categories. This is very similar to the non-MDI population. Liquidity is sound. On-hand liquidity is sufficient. Sensitive market risk is adequately controlled since 2013. And, there are lower levels of long-term assets higher levels of non-maturity deposits.

Presentation of Paycheck Protection Program (PPP) – Antonio Doss – District Director, U. S. Small Business Administration (SBA)

DFO Cole introduced Antonio Doss, District Director of SBA's Washington Metropolitan Area District Office. District Director Doss and his team provide business development assistance to SBA's largest portfolio firms participating in the 8A Business Development Program. Among the office's accomplishments is the issuance of more than $6 billion in contract offer letters annually. Additionally, as district director, he oversees the delivery of SBA, Small Business Financing Product, contracting programs, and entrepreneurial coaching services. Prior to his current role, District Director Doss served as Director of the SBA, Office of Grants Management, where he administered a 250-million-dollar portfolio of cooperative agreement grant from 2004 to 2011. As associate administrator of SBA, Office of Small Business Development Centers, he left the SBA's largest business coaching program overseeing the 110 million Small Business Development Center grant program and its 900 service centers located across the nation and US territories.

District Director Doss shared some insights of happenings with the SBA and the Department of Treasury and the Paycheck Protection Program or PPP. He reported the PPP has been a fluid program as part of the CARES Act. He referenced that the SBA recognizes the importance of the MDIs, CDFI, all the smaller lender certified development corporations, etc., that are instrumental in helping to ensure funding is not only to the population of businesses that SBA typically supports, but also to help serve some of the smaller individual entrepreneurs and in particularly the small businesses in underserved communities. He reported the PPP is at a key phase as the application phase will end in a few weeks. SBA continues to work with all PPP lenders to assist, prioritize, and maximize getting the forgivable loan programs out to the eligible borrowing community. He shared that a big focus has been to help smaller lenders.

Director Doss shared the following data points as of June 12: SBA awarded 4.5 million PPP loans totaling approximately $512 billion, with 98% of participating lenders having less than $10 billion in total assets. These same entities accounted for approximately 50% of all the loans made and almost 44% of all the dollars awarded. This smaller lending population has been a very active effort. And, it was an intentional focus as part of the round two funding where space was specifically carved out for smaller lenders to be able to make sure they participated.

SBA has 171 MDIs listed in its data as participating in PPP. These 171 entities accounted for 111,000 loans, for a total of $10.2 billion, with an average loan size of $92 thousand which is about $20,000, less than the average overall size of all lenders combined in this program. However, even with awarding $512 billion, $129 billion remains available. So, SBA is encouraging small businesses including nonprofit faith-based entities to apply before the June 30, 2020 application period ends, i.e. the borrower must be approved by the lender and the borrower’s lender must have the loan into SBA by close of business June 30, 2020 to be considered for the PPP.

Director Doss reported that one adjustment to the new flexibility act extended the eight-week period to a 24-week period from the date of loan disbursement. This adjustment provides more flexibility to borrowers to qualify for loan forgiveness. In addition, the percentage that the funds had to be related to payroll were adjusted. Also, the 75% benchmark to determine whether a business had substantially been making payroll was lowered to 60%. So slightly more than half the money should be payroll-related expenses, including mortgage interest, lease expenses and utilities. Some safe harbor adjustments were included, i.e. safe harbor that forgives the lack of the ability of a business to open because they were lawfully not allowed to open based on the orders of the governor, when the business is ready to reopen but their employees indicate they are not comfortable returning to work, health concerns, or getting more on unemployment, etc. This safe harbor exists if the borrower can show it made the offer. Another adjustment increased the maturity date of PPP loans to five years for loans approved on or after June 5, 2020. So payments are now over a five-year period instead of over 18 months.

Similarly, the deferral period for a borrower's payments of principal and interest was extended to the date SBA remits the borrower's loan forgiveness amount to the lender or ten months after the end of the borrower's loan forgiveness. Essentially, this creates a better cash flow situation for borrowers.

The look-back time period used for a criminal background check to determine an applicant's eligibility has been reduced from five years to one year. This allows more people the opportunity to participate in the loan program.

District Director Doss also shared that SBA has a number of other programs, including the Small Business Debt Relief Program and one of the elements of that includes SBA paying the principal and interest in fees for six months on a borrower's application. SBA issued a procedural notice on this subject to clarify these funds should be used under loan repayment terms consistent with prudent underwriting. For example, if SBA program did not exist and a normal amortization is 48 months then the lender should amortize the loans for 48 months and not amortize the entire amount of the loan for six months because the SBA would pay six months.

District Director Doss responded to a MDIAC member's question that per the SBA's Office of Disaster Assistance Standard Operating Procedures, Economic Injury Disaster Loans (EIDLs) cannot be used to refinance existing long-term debt. He also reported the EIDL Program is once again accepting new applications and SBA can take applications from an agricultural-related business, a nonprofit, or a small for profit business. He further reported those loans could be used for general purposes. Examples include: suppliers for inventory, purchase of materials, or working capital to handle the expenses related to the suppliers. There is not restriction related to a percentage one could use for the various purposes. This program places more onus on the business owner to say, "What is it that I actually need these funds to do? and apply it to the purpose needed for the business." It's still a working capital loan, but it doesn't come with the parameters in the PPP.

District Director Doss shared that the PPP could be thought of as a grant program that SBA formed into a loan program. A MDIAC member expressed appreciation for the SBA's efforts. The member further reported "It has made a world of difference to our customers, and it's given people hope."

Another MDIAC member reported hearing that there may be another round of PPP. And, given the sizeable amount of money left, asked if District Director Doss had any insight he could share. District Director Doss reported that during last week's Senate Hearing with the Small Business and Entrepreneurship Committee that there was discussion about the potential need for additional funding. District Director Doss shared there was broad interest in ensuring the economic needs of the small business community were addressed and enacting something to keep this segment of the economy moving in a positive direction.

Subsequent to the MDIAC meeting a participant asked District Director Doss "With the change in period to use funds from 8 weeks to 24 weeks, is the cap on employee-owner compensation still ~ $15M (8 weeks of max $100M salary), or is the cap increased to ~ $46M, which would be 24 weeks? District Director Doss supplied the following response: The following is an outtake from the new EZ forgiveness application which was released this morning. The full forgiveness application can be accessed via this link. https://www.sba.gov/sites/default/files/2020-06/PPP%20Forgiveness%20Application%203508EZ%20%28%20Revised%2006.16.2020%29.pdf

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower: The Authorized Representative of the Borrower certifies to all of the below by initialing next to each one.

____ The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $15, 385 per individual.

DFO Cole thanked District Director Doss for his presentation and participation in the question and answer period. Next the meeting moved into the MDIAC Roundtable discussion.

MDIAC Roundtable

Hold Harmless Template Language - One of the members inquired about the status of the hold harmless template for institutions offering technical assistance to an MDI if the supporting institution provided less than ideal information and the receiving MDI was harmed. DC Haas worked with OCC's legal division on this effort. He plans to circulate several items in the near future including the hold harmless language. It is a short document, a one pager, but has some language that OCC thinks could be a good starting point in terms of a framework for addressing collaboration and addressing liability concerns. He also reported good progress with the MDI directory or inventory. Given the strong interest in these items DC Haas reported he would work to accelerate communication on these topics in the near future.

Strategic Planning Technical Assistance - Another member requested OCC consider updating its technical assistance on strategic planning. Reportedly, the current environment challenges the MDI business model since in many cases the competitive edge with MDI customers is based on personal service and personal touch. The member was looking for ideas for small community banks. DFO Cole stated she would follow-up with NBE James Calhoun who conducted the initial Strategic Planning Technical Assistance.

Citibank Mentorship Program - Another member inquired about Citibank's mentorship programs or prep programs. It was reported that Citibank conducted a lot of work with MDIs and the PPP. It was further reported to build a relationship and determine the right way to mentor is unique to the MDI's needs. It was stated that Citibank remains committed to assisting MDIs. Another member indicated that many MDIs are focused on COVID-19 issues and a lot of collaboration is in this area. Next steps include how best to repair the local economy.

MDIAC Members – PPP Lenders - Another member asked if the MDIAC membership were PPP lenders? One member reported it did EIDL loans and helped its local telecommunication department provide better broadband services for the local area. Another reported it did not participate as a lender due to limited staff but did provide advice, counseling and referrals to customers needing PPP loans. Member Natalie Abatemarco offered that Citibank might be able to assist MDIs that want to pursue working with Citibank so the MDI's customers are able to access PPP.

DFO Cole reported that most MDIs were approved to participate in the PPP. However, OCC examiners purposefully did not ask MDI bankers if they were participating as we did not want the bankers to unintentionally read our question as a requirement to participate.

OCC Assessment of COVID-19 During Examinations – A member stated their most recent examination included numerous questions not previously asked. The member inquired about OCC's scope for future reviews and examinations. ACOO Paulson shared that OCC's focus for June and July is to make the best assessment possible based on lots of unknowns without hard data. The goal is to understand where the most risk lies, identify which banks may be most impacted, and understand commercial real estate (CRE) volumes may be a concern. We are trying to assess which banks are most vulnerable to small business loans, consumer loans, the obvious sectors of the economy such as: travel, transportation, entertainment, etc., and then the related industries of oil and gas, with emphasis on energy prices. Agricultural lending will be impacted and has already experienced some stress.

In the near-term, the focus is to understand which banks we think will likely be impacted the most. This will inform our assessment of how we change our supervisory strategies related to the timing of when we'll examine a specific bank and the actual scope of the examination. Some examinations may be delayed because we think those banks aren't going to be impacted as much. We may divert our resources to focus on the loan portfolio, or certain segments of the loan portfolio, of banks we think may have higher levels of impact.

Currently, OCC is in a discovery mode. =August through year-end, the focus will be understanding the impacts. With time there will be more information on borrowers and borrowers will have more information on what's happening in the economy. The big difference with this downturn is the impact on the banks was not caused by bankers taking on too much risk. This was beyond everyone's control. We've had discussions with our examiners about our approach in this kind of an environment. We will not blame bankers for deteriorations in your portfolios.

We are obviously, keenly interested in what bankers are doing to address the issues. We will look to see that you're accurately risk rating your loans, that you're putting workout plans in place where appropriate, and that you're working with your customers to find steps forward that are in the best interest of both your borrowers and your bank to remain safe and sound. We recognize a lot of challenges are ahead of us, both from your perspective as bankers and ours as regulators, but our focus is on trying to get our arms around the dimensions of the issues. That's going to take some time.

ACOO Paulson also shared that interagency guidance for examiners, about 11 pages, on how to supervise banks in this type of environment exists. It addresses various areas of our supervision, i.e. asset quality, liquidity, capital, and those areas. This guidance essentially focuses on our need to assess the impacts. And, understand it is not bank management's fault that these things happened. But be more forward-looking and assess bankers' reactions and how bankers deal with the process. This is nothing new, it is how we supervise banks in general, but it may provide some assurances to bankers and others that are concerned about our approach.

Alternatives to LIBOR – Deputy Comptroller for Market Risk – Kevin Walsh
DC Walsh reported his tenure with the OCC was only about six years and he spent most of his career in private industry, in banking and international banking and capital markets, including working overseas, both in Japan and London. He shared that at the OCC, two policy teams report to him; one is Treasury and Market Risk, which is anything in the Treasury department of a bank, the investment portfolio, deposit modeling, trading, asset-liability management, etc. The other team, which we call asset management, includes not only the trust type asset management and collective funds, but also policy with respect to retail non-deposits, product sales, etc.

DC Walsh's PowerPoint presentation (53 pages) was provided for later review. He reported banker's preparation for LIBOR cessation by end of 2021 is a serious matter. And, as a result his approach to today's presentation is to provide some relatively high-level thoughts about what OCC thinks preparedness looks like and then open the discussion for questions and comments. He reported that OCC is an Ex-officio member of the Alternative Reference Rate Committee (ARRC). And, we did not participate in ARRC during the time ARRC explored its preferred alternative rate, the Secured Overnight Funding Rate (SOFR). OCC and other agencies – except the Federal Reserve – joined in ARRC phase two. In 2019, OCC focused on awareness at OCC, and generating awareness about LIBOR cessation in OCC supervised banks and federal savings associations. In 2020, OCC shifted into preparedness mode. And, in 2021 the plan is to start examining on preparedness in a fairly rigorous way. What does preparedness mean to OCC?

First and foremost, all should have quantified their LIBOR exposure in all product categories and lines of business. LIBOR is ubiquitous. You find it in loans that the bank made directly, loan participations that you might have purchased or engaged in through a syndication process, and, in investment securities of all different types. The entire scope of bank assets and liabilities, with the exception of bricks and mortar, has the potential to have LIBOR exposure and exposure through third party vendors and other types of third-party relationships.

So, Step One is being thorough in terms of producing an inventory of all the bank's exposures. Then develop a transition plan that has clearly defined milestones and deliverables that includes things such as understanding and performing an assessment of all applicable risk areas. It includes everything from the risks that DFA Knott spoke about earlier in his presentation to thinking about the potential impact LIBOR cessation may have on your customers.

Bankers should analyze the risk of existing contracts, identify where it may be necessary to modify spreads, or existing contracts to include new fallback language. Very few existing contracts would have contemplated a permanent cessation of LIBOR. It simply is no longer going to be available for the remaining life of any exposure.

Also, bankers should work with third-party vendors to identify vendor risks. Bankers will also need an effective communication strategy for your customers, your employees, your borrowers, and have a clear idea of what to do and how you're going to do it if some constraint emerges or your plan goes awry, when LIBOR is no longer available. Bankers should determine the impact and updates needed to your bank's policies, procedures, personnel, and control systems, pricing systems, general ledger, etc.

DC Walsh also stated that it was important to incorporate LIBOR cessation into stress tests and to assign responsibility for oversight to a senior executive that has strong authority across the organization. DC Walsh compared LIBOR Cessation to Y2K. He also reported that while there were no bad outcomes with Y2K, today we cannot say whether nothing happened because it was nothing in the first place or because of the resources spent preparing for Y2K. There has been speculation that because of the COVID-19 crisis, LIBOR may continue after the December 31, 2021 deadline. However, all the LIBOR currencies including the US dollar LIBOR comes from banks reporting the rate. Big money center banks must be willing to report observations for LIBOR to continue. The December 31, 2021 deadline was the result of the Bank of England asking the money center banks that no longer wanted to report LIBOR, to continue to do so for this transition period. It wasn't that the Bank of England said stop reporting LIBOR. Bankers should build their plans on LIBOR ceasing to exist on December 31, 2021 and ensure that bank documents, bank systems, and an alternative index is ready for use. OCC participates in the ARRC, however, we have not advocated for a specific index as a supplement or replacement for LIBOR. After LIBOR ceases, the index used by bankers needs to be IOSCO compliant. Bankers should be able to demonstrate their readiness and preparedness across their risk spectrum.

The MDIAC members did not have questions for DC Walsh. He then asked the group "What types of challenges are you facing, or where you are in this process, or if you have identified an alternative index that you are moving toward in this process?" One member apologized for being blunt and stated that given COVID-19 concerns LIBOR cessation is probably not one of their more pressing issues. DFO Cole stated the purpose of the MDIAC is for the membership to tell OCC management what they really think, so the honesty and bluntness is appreciated. DC Walsh echoed those thoughts and cautioned that as 2021 approaches there are only 12 months left to do the work, and bankers may find it will be more work than they realize.

Another MDIAC member reported more concern with the possibility to go into a negative interest rate environment. DC Walsh indicated he is very skeptical that the United States will go into negative interest rates. However, his group is preparing, doing research, about what happens if interest rates go negative. DC Walsh further reported that systems (pricing, accounting, booking) might not handle the computations. It was further indicated that it would be good questions to ask vendors handling these systems (asset liability management, accounting, general ledger, loan pricing, accruals, etc.). If your systems cannot accommodate then the result could be profitability issues, etc.

DFO Cole thanked DC Walsh for his presentation.

ACOO Paulson asked members about the impact of COVID-19 on their bank's operations – the membership shared a range of impacts. In some cases, their communities have no positive cases of COVID-19. Others report being very diligent in monitoring and cleaning customer contact areas in their facilities and assisting customers with loan modifications. Others reported a lot of change in the market – and COVID-19 concerns especially in tourist locations - but less so in rural areas. Also, a lot of PPP activity with customers.

DFO Cole acknowledged the work that Senior Advisor Charlotte Bahin does for the MDIAC. Senior Advisor Bahin is instrumental in OCC's interface with the U.S. Treasury Department in ensuring our documentation to renew the MDIAC charter and membership is handled in an efficient and comprehensive manner every two years. As the MDIAC is a Federal Advisory Committee our charter and membership require renewal every two years. 2020 is a renewal year and a year when members' terms expire. The materials are currently at U.S. Department of Treasury awaiting approval. Once received we will publish and solicit membership in the *Federal Register*. We will reach out to each of you and our district and field office locations here at OCC and banking trade organizations once the notice is published in the *Federal Register*. We will be looking for persons to fill the committee seats, including from national banks and federal savings associations. The committees each have ten members, those already on the committee interested in rolling over, should reapply, but you have to start the entire process again, including the FBI and IRS background checks. It is a pretty challenging process but it is not OCC's process, this is a requirement for Federal Advisory Committees.

Next, the meeting was turned over to SDC Grovetta Gardineer.

Community Reinvestment Act (CRA) Modernization – Senior Deputy Comptroller Grovetta Gardineer

SDC Gardineer shared that for her entire career at different points, but a minimum for the past 11 years of her career - since employed by the OCC, it was always the intent and focus to try to modernize CRA, in order to first and foremost protect relevancy. She noted CRA is a noble statute with a very noble goal. It simply states, that a bank has the responsibility to lend, provide services and invest in the communities where it does business.

CRA was put in place in 1977. A time when the best way to measure where a bank is doing business would be by virtue of its physical location. Today, 2020 where banks do business is no longer confined to a physical location. In addition, in the 40 plus years since the statute was enacted, but certainly the last 25, we have seen practices that may not have always been in keeping with the statutory intent, more limitations on what should be granted CRA consideration, than is reflective of the good things that banks can do to improve the lives of LMR communities across the country. These are the four tenants of CRA that former Comptroller Otting came to the OCC on day one saying, as a top priority, he wanted to change. The four include: (1) Can we clarify what counts? What are CRA qualifying activities? (2) Where does it count? How do you actually identify it? How does the bank identify what its assessment area is? (3) How do you count it, which is how do you measure it given that we've lived in a world of very subjective insight and evaluation of CRA activities? Then (4) if you can solve for all of those things, can we get better reporting that is more transparent and more objective so CRA is brought out of the dark. Can we have an annual report or better reporting so that people can understand the hundreds of billions of dollars that CRA is responsible for directing into the fabric and the economic growth of this country?

CRA Modernization delivered on three of those things with a caveat on one of the three because we're coming out with another notice of proposed rulemaking, but this is all part of the process. The extra step in our process was the Advanced Notice of Proposed Rulemaking (ANPR) that went out with a series of questions to get a sense of what the industry and other stakeholders thought were the focus point of CRA. We received over 7,000 comments with the ANPR. In addition to a review of those comments, we engaged in conversations and trips across the country with thousands of stakeholders to communicate how we'll take that proposal and then come to a final rule that encompasses the comments and improves upon the status quo of the 1995 rule.

We did clarify what counts by creating for the first time ever a list of qualifying activities. Now, the list is not designed to be exhaustive, but it is illustrative of both those things currently found in the Q&As as well as the things that we propose and believe are very important to include. The listing provides all stakeholders a baseline with 100% certainty that if they engage in activities outlined on this list, or something analogous to what is on that list, they will get consideration in their CRA evaluation when the examiners come in to examine.

The list is also important because in addition to expanding and clarifying what counts, it begins to get us to a point of consistency across all examinations across the country. Perhaps most troubling for me, for all the years that I've been dealing with CRA, is reviewing CRA Performance Evaluations and not understanding how the examiner gave consideration for a particular activity in New York, but that same activity in Kansas was not given consideration. The list is a monumental step because there has never been a list in 40 years of having CRA on the books. If nothing else this is a forward 21st century step, having the ease of having a process put in place that banks and other stakeholders can submit to the OCC. This would include things that may not be apparent on the list, new and innovative ideas for us to get in real time, in a timely fashion, so that we can provide guidance back to that stakeholder and give them assurances and a level of certainty that they can move forward with that investment, or that loan product, or provide that service to a community and know that they're going to get credit for it. That is important because in the course of having all of those conversations, particularly with bankers over the past two and a half years, one thing became very certain, if there is no certainty as to whether or not they were going to get credit for an activity, then the default was not doing the activity. That is not where we need to be. We get the consistency and the certainty that comes with the list.

The second thing of importance is an acknowledgement. We were true to our word that we were not changing those things that are the baseline for determining, what is an assessment area today. If there is a branch, or a home office, or deposit taking ATM, and that is where the assessment areas built around, that will still count as an assessment area.

For some of our newer entrants that are financial institutions that do not and never will have a physical location that they can call a branch or a home office, there has to be a way to measure on a level playing field with how they draw an assessment area and where they have a responsibility to do business. If you're an internet bank headquartered in Salt Lake City, Utah, providing loans and investments and taking deposits nationwide, why should there not be reinvestment responsibilities where you are doing your primary business across the country?

The final rule introduces that. It is a percentage, if you're gathering 50% or more of your deposits outside of your physical footprint, and 5% of that in a designated MSA, then that's going to be an assessment area. It is a bank's responsibility, that is taking deposits from places across the country above a certain threshold to assess its reinvestment activity. These areas are what we now call a deposit-based assessment area in addition to the geographical based assessment areas that have traditionally been a part of the framework.

That requirement again brings this CRA into the 21st century. Also, it allows us to look around the corner and not simply solve for what we see today, but also try to anticipate the trends that we continue to see in the banking space. We believe branches will always be a part of the framework of this country in the banking system. The reality is there are fewer of them now than there were in 1977. There are fewer branches today than there were in 1995. If we are to believe the trend, and it has definitely held true to this point, there will be fewer branches going forward. That should not alleviate a bank from having a responsibility to invest in the communities where they take deposits. Again, addressing where it counts is a huge step forward.

Now, we get to how do we count it? On this one, again we listened intently. It is clear our record keeping in this space, limits us at having strong data on which to build thresholds. Thresholds by which we think banks should be measured and have accountability for levels of investment and Community Development activity and lending. We are preparing a second NPR designed to give us greater data and allow us to have more insight into setting the threshold. We want to make sure we get this right and in no way is the intent to see less money flowing into low- to moderate-income communities across the country. The point of this is looking at the potential that is left on the table. We want to incentivize reinvestment, and also ensure that we're setting benchmarks and thresholds at the right level. It is still a huge part of our framework, how it gets measured. Those objective measures will drive a much more transparent and consistent approach to how we measure CRA across all supervisory institutions of the OCC as well as how we determine a peer group.

Once all those things are done, we then get to better and more user-friendly reporting. OCC supervised institutions are responsible for 70% of all CRA activities across the country, and OCC would be able to produce a report supporting that. OCC thinks about this type reporting as being analogous to our mortgage metrics report, where we have about the same percentages of mortgage originators. We are able to provide that information on a very regular basis.

What do the mortgage metrics look like across the country? What are the number of on-time payments? What is the number of defaults? How many are past dues? Let's think about CRA in the same way. How much is coming into Community Development Activities (CDA) activities?

How much is based on loan products? How much was done on innovative new types of criteria? How much is done in a deposit-based assessment area versus geographic based assessment areas? How much of those dollars actually flow into the country? We think that is important because most people do not know. It's not easily discerned.

SDC Gardineer stated, amazingly, when former Comptroller Otting and I would speak with bankers about how do you measure CRA? How do you think OCC measures CRA? What do you think counts? Some of the foremost experts that we recognize in the CRA arena would say things to us like, “It's a percentage of tier one capital, if you take tier one capital and get to this percentage and you equal that with your loans and investments, that guarantees you an outstanding rating.” We would look at them and we would say, no that's urban legend, that is actually not how we do it. Or they would say things like, “It’d be great, if we got credit for investments into MDIs.” We would say, “But you do or you can. It already provides for that.” The look on an expert's face who would go, “What? You mean if we actually make that investment into an MDI, that's a CRA qualified asset?” “Absolutely.” In putting the list on paper, it makes it clear for everybody that MDIs are a source of a good investment that does in fact count towards an institution’s CRA investment numbers. It makes it clear what Community Development Financial Institutions (CDFIs) can do. We even included a kicker, or a “multiplier,” because of the value that we want to give or recognize institutions that actually invest in MDIs.

The information above provided insight into all the things the final rule is doing, but SDC Gardineer also provided an update on the rule from a procedural standpoint. Last week Chairwoman Waters and Congressman Meeks filed a resolution in the House to rescind and revoke the OCC CRA final rule. The resolution is very short. It merely says that the House, through Joint Resolution 90, is moving to rescind the OCC Community Reinvestment Act rule that was issued on May 20th, 2020, such that it will have no force or effect. That really is all the resolution says.

There are a lot of statements that have been issued around it. The statements would say things along the lines of, “This was rushed.” SDC Gardineer stated she has been working on this for 11 years, it doesn't feel very rushed to her. “That it guts the CRA.” This is difficult to say because the rule doesn't become effective until October 1, 2020. We don't envision our first examination until January of 2023 given the changes to systems, examination procedures that have to be written, guidance that will have to be drafted, and outreach that the OCC will engage in.

A lot is being said about the impact of a rule that has yet to see its effective date and has not demonstrated its impact. We recognize that this rule is a step forward. The rule is being challenged under what is called the Congressional Review Act. If the rule is repealed or revoked under the Congressional Review Act, the OCC will be prohibited from issuing any CRA rule that is substantially similar to the rules that were revoked.

In our view what is fearful is that all the good things that go in the list, the clarity around MDIs, the clarity around getting consideration for an investment into an MDI, the clarity around getting a multiplier because of the significant impact that minority depository institutions have on LMI communities, knowing that there needs to be a level playing field between the geographic assessment area and a deposit-based assessment area so that the responsibilities flow for everyone, could be lost and never picked up again. If those things are lost, then the ability to have greater transparency and reporting can also be lost.

If we're going to be stuck in 1995, then we need to think about what is lost if we lose the 2020 version of the rule, a rule that unlike the current 1995 rule, built into its framework an ongoing review of the rule, updating of thresholds, revising and keeping the list current, and all the things we do in every other aspect of banking. We are always updating or reviewing our capital rules, our liquidity rules, everything else that we do. CRA is the only rule that SDC Gardineer stated she was aware of that is focused on the responsibility of banks to provide investments, loans and service to the lowest, economically deprived individuals and communities across the country. It should get the same treatment. It should not be allowed to languish for decades before anybody takes up that mantle. We encourage you if you are so inclined, to contact some of your senators if you would like to be in support of the OCC final rule. With that, SDC Gardineer opened it up for questions.

SDC Gardineer was asked to address the threshold for community banks to participate under the new framework given potential costs and describe the provisions with the CRA modernization for community banks to opt out? SDC Gardineer reported that was a huge part of the feedback received. So, in finalizing the rule, OCC increased the threshold of banks that will be required to use the new framework. Financial institutions with total assets of $2.5 billion or below, can remain on the current framework and continue to avail themselves of everything in the small bank or intermediate bank tests. The banks can also take advantage of the list. The list is effective on October 1, 2020 and will be available to all. This gives smaller institutions an opportunity to see how the rule works, how it's implemented at the higher rungs while there are requirements of the smaller banks to retain data, but there are no data reporting requirements for smaller banks. These are all things that alleviate the burden on the smaller institutions. Many of you would fall under this part of the rule or the asset side. Again, the clarity of the list and for larger institutions that will get that multiplier for investing in MDIs, that is a provision that will go into effect for the over $2.5 billion in total assets banks.

SDC Gardineer was asked if bankers lose that provision if that is covered in the Congressional Review Act? It's an interesting question, but it's one that needs to be stated. In conversations with other stakeholders they've asked, “What if they leave the provision about the MDI? Will they leave provision about broadband, or can they leave in the provision about the access to Indian country?” The answer is no. If the rule is repealed under the Congressional Review Act, they will not pick and choose the pieces liked and jettison everything not liked. It will be the entire rule. All of those expansions, all of those additional 21st century benefits and opportunities for banks to actually engage and do more for their communities will be lost.

There were no additional questions for SDC Gardineer. She closed by saying if anyone had additional questions about the impact of the final rule or the posture as we go through this procedural challenge on Capitol Hill, please feel free to reach out. Participants were informed they could email Andrew, Beverly, Grovetta, Ralph, or Charlotte with questions they would get to her.

Next DFO Cole asked Will to open the telephone lines for questions or comments from the public observers.

Public Observers

DFO Cole opened the meeting to public observers and welcomed their comments or questions.

Betty Rudolph, FDIC thanked OCC for the invitation.

Director Moss responded to a MDIAC member's question regarding an interagency meeting for MDIs by stating that the interagency team that coordinates the biannual conference is meeting tomorrow and looking at late in 2021 for a target date. In addition, the team is also considering other types of webinars in the interim timeframe and we will keep everyone informed.

A public observer asked if DFA Knott had a separate breakdown of East Coast and West Coast banks? The public observer was trying to determine differences between California banks and US banks as well as other MDIs around the country. DFA Knott reported he would look at the performance from that perspective but what he saw more in common was sizes of banks and the types of loans the institutions made. For example: a bank in Maine has more in common with a bank in California if they are similar in asset size with similar loan portfolio composition.

Closing: ACOO Paulson and DFO Cole

ACOO Paulson stated it was a pleasure to attend today's meeting and that he looks forward to seeing everyone in person, in a not too distant future. DFO Cole, thanked everyone for their participation and echoed ACOO Paulson's sentiments about seeing everyone in person in the future.

Adjournment

The meeting was adjourned at 2:00 p.m.

The minutes are an accurate representation of the meeting.
/s/ Beverly F. Cole