

**Minority Depository Institution Advisory Committee Minutes
September 18, 2018**

The Minority Depository Institution Advisory Committee (MDIAC) convened for a meeting at 8:30 a.m. on Tuesday, September 18, 2018, at the Office of the Comptroller of the Currency (the OCC), Constitution Center, Washington, D.C. In accordance with the provisions of Public Law 92-463, the meeting was open to the public from 8:30 a.m. to 2:00 p.m.

Advisory Committee Members Present

Jamie Bartholomew Aller, Director and General Counsel, The National Bank of Malvern, Malvern, PA; Lucilio (Louie) M. Couto, President and Chief Executive Officer, American Plus Bank, N.A., Arcadia, CA; Guillermo Diaz-Rousselot, President, Continental National Bank of Miami, Miami FL; John Hou, Chairman, President and Chief Executive Officer, Asian Pacific National Bank, San Gabriel, CA; Jesse Jackson, Senior Vice President, Texas Capital Bank, N.A., Dallas TX; Valerie Mann, Senior Vice President, The First National Bank of Gordon, Gordon, NE; Joe Quiroga, President, Texas National Bank, Mercedes TX; and, Carlos Safie, Chairman of the Board, President and Chief Executive Officer, Executive National Bank, Miami FL.

OCC Participants Attending

Joseph M. Otting, Comptroller of the Currency; Jorge Aguilar, Attorney; Ammar Askari, Director, Community Affairs Outreach; Charlotte Bahin, Senior Advisor for Thrift Supervision; Adrianna Bailey, Associate Deputy Comptroller (AsDC) for Bank Secrecy Act/Anti-Money Laundering (BSA/AML); David Black, Community Development Expert; Beverly F. Cole, Deputy Comptroller (DC) for Compliance Supervision Management and Designated Federal Officer; Georgia Chisolm, BSA/AML Compliance Officer; Glenda Cross, Director for Minority Outreach; Ralph DeLeon, Director for Banking Relations; Janet Fix, Analyst to the DC for Community Affairs; Grovetta Gardineer, Senior Deputy Comptroller for Compliance and Community Affairs; William Grassano, Public Affairs Specialist; William D. Haas (Bill), DC for Midsize Bank Supervision; Beth Knickerbocker, Chief Innovation Officer; Carrie Moore, Director of Congressional Affairs; Andrew Moss, Outreach and External Relations Program Manager; Donna Murphy, DC for Compliance Risk Policy; YooJin Na, Senior Licensing Analyst; Monique Parkmon, DC Analyst; Scott Schainost, DC for Midsize Bank Supervision; Richard Taft, DC for Credit Risk; Patrick Tierney, Assistant Director for Legislative and Regulatory Activities; Nida Zaman, Congressional Affairs Specialist

External Speakers

None

Public Observers

Natalie Abatemarco, Managing Director, Citi Community Development and Inclusive Finance; Lydia Beyond, Bloomberg Law, FinTech and RegTech Reporter, Banking News; Jeannine Jacokes, Chief Executive and Senior Policy Advisor, Community Development Banker's Association; Betty J. Rudolph, National Director, Minority and Community Development Banking, FDIC; Mia Sowell, Associate Program Manager, Bank Enterprise Award Program, CDFI Fund

Meeting Opening

Beverly Cole opened the meeting at 8:30 a.m., and welcomed all in attendance. The meeting agenda was also reviewed. Attendees were reminded the meeting is open to the public and meeting minutes would be published.

Ms. Cole reminded attendees that the MDIAC nomination process, published in the Federal Register, opened August 27, 2018 and closes October 15, 2018. Nominees can be self-nominated or nominated by others, and should include their resume with the submission of the nomination statement.

The 2019 MDIAC meeting dates are April 9, 2019 and September 24, 2019 and will be held at the OCC, Constitution Center, Washington, D.C.

Regulatory Update – Impact of Senate Bill 2155

Patrick Tierney provided an overview of the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act provisions, enacted May 24, 2018, relevant to Community Banks. Specifically, he covered the following provisions:

- Section 103 – Exemption from Appraisals of Real Property Located in Rural Areas;
- Section 201 – Capital Simplification for Qualifying Community Banks (“Community Bank Capital Offramp”);
- Section 108 – Escrow Requirements Relating to Certain Consumer Credit Transactions;
- Section 203 – Volcker Rule Community Bank Relief;
- Section 205 – Short Form Call Reports;
- Section 206 – Option for Federal Savings Associations to Operate as Covered Savings Associations;
- Section 210 – Examination Cycle;
- Section 213 – Making Online Banking Initiation Legal and Easy; and
- Section 214 – Promoting Construction and Development on Main Street

Mr. Tierney noted that the proposed rule for Section 206 was published September 18, 2018 and the comment period closes November 19, 2018. An interim rule for Section 210 was published August 29, 2018, and comments are due October 20, 2018.

There was discussion on lot land development as it pertains to Section 214. Richard Taft advised that the agencies had discussed this question and the proposed rulemaking will specifically address it.

There was discussion regarding the effective date of Section 101 – Minimum Standards for Residential Mortgage Loans. Mr. Taft advised this provision is under BCFP authority and we expect that they will issue guidance. In the interim, banks should follow existing standards.

Credit Underwriting Assessment (CUA) Tool

Richard Taft discussed the OCC's CUA Tool. The OCC developed a framework by which to quantify the assessment of underwriting based on the evaluation of the bank's credit underwriting policies, practices, and trends. The OCC evaluates underwriting practices based on the following factors: structure; collateral; controls; compliance with policy; and risk assessment and selection. There are no set definitions for the credit underwriting assessment categories, however, there are general considerations per category by which a determination is made based on examiner judgement.

There was a discussion on what specific parameters, if any, or other relevant guidance there is for bankers on what constitutes a liberal loan versus a conservative loan. Mr. Taft reiterated that the purpose of the CUA tool was for examiners to be able to assess and discuss credit underwriting characteristics of the entire portfolio with banks and provide feedback. Bankers may ask examiners to discuss the criteria used for rating underwriting factors. A bank's policies and their adherence to those policies are a factor in an examiner's assessment of a bank's credit underwriting.

Community Reinvestment Act (CRA) Modernization

Donna Murphy discussed the OCC's CRA modernization efforts, specifically the publication of the Advance Notice of Proposed Rulemaking (ANPR) published September 5, 2018 and open for comment through November 19, 2018 (75 days). The group was encouraged to review the ANPR and provide written comments, including areas that may not have been covered by the specific questions asked.

The group discussed consideration of exempting MDIs or CDFIs, as well as consideration for including collaboration between MDIs and large and mid-size banks. Ms. Cole encouraged the group to submit these statements in writing as part of the comment period to ensure they are documented. Having all suggestions and comments documented during the comment period is important and all will be reviewed, assessed, and analyzed. The OCC will work with its interagency partners to develop the NPR for another round of comment.

BSA/AML

Adrianna Bailey covered the following:

- BSA/AML Regulatory Reform;
- Consumer Due Diligence (CDD) and Beneficial Ownership Rule; and,
- Impact of conflicting marijuana state and federal laws
- MDIAC BSA/AML Workshop

There is an interagency BSA/AML Regulatory Reform working group, which includes FINCEN, tasked with determining how to enhance guidance and transparency into BSA/AML processes

(i.e. SAR, CTRs, etc.). This effort is in response to concerns of an un-level playing field between bank and non-bank financial providers and frequent changes in BSA/AML expectations.

The CDD and Beneficial Ownership Rule became effective May 2018. The CDD and Beneficial Ownership Rule is a FINCEN rule, and the OCC defers to their FAQs, though examination procedures were issued interagency. Examinations are in process in this area and feedback has been primarily on operational challenges, not on the rule itself. Ms. Bailey welcomed comments on operational challenges and encouraged banks to provide feedback directly to FINCEN as well. A FINCEN banker outreach on this topic is under development for October 2018 and the OCC is being asked to provide questions to be answered during this event.

The group discussed challenges of adopting the financial rule, specifically in terms of effectively competing in the financial marketplace and determining the threshold for higher risk banks versus lower risk banks. Ms. Bailey stressed discussion with board and management to determine the appropriate policy and how to implement based on the bank's risk profile. Banks encouraged to also discuss with their supervisory office.

Federal and State laws remain in conflict for legalization of marijuana, and as such FINCEN's 2014 guidance remains in place. Banks are encouraged to exercise prudent risk management standards. The OCC does not have an additional guidance to provide.

The group discussed the lack of clarification on indirect relationships. FINCEN provides advice on indirect marijuana related businesses and should receive those questions directly. The group contemplated that as states legalize marijuana, risk management in terms of indirect relationships is challenging and could adversely impact a smaller community bank's ability to compete and possibly erode its customer base.

The OCC is in process of planning a BSA/AML workshop in response to the group's feedback on a need for outreach in this area. The workshop will cover hot topics and industry updates and will be held in D.C. with certain regional locations planned. The group encouraged to contact Ms. Bailey with any specific topics they would like covered.

Office of Innovation

Beth Knickerbocker provided the MDIAC an update on the Office of Innovation activities and covered the following topics/emerging trends:

- Observations Regarding Community Bank and FinTech Partnerships
- Cloud / Cloud Migration
- Digitization
- Artificial Intelligence

Ms. Knickerbocker also highlighted a listening session the OCC held to discuss best practices around partnerships and Office of Innovation Office Hours events held in San Francisco, Chicago, New York and Denver this year. Ms. Knickerbocker stated that the OCC will hold one

more Office Hours event this year in Dallas in the Fall. She encouraged the group to attend an Office Hours event near them or send questions via email. The Office of Innovation also provides technical assistance to banks, and can conduct bank visits upon requests where Office staff can meet with management or directors to discuss innovation and emerging trends.

The group discussed more community banks embracing innovation, across the board – not just in one particular area – as customer expectations regarding bank products and services and the delivery mechanisms for those products continue to increase.

Small Dollar Lending

Ammar Askari and Jorge Aguilar gave a presentation (attached separately) on Small Dollar Lending. Mr. Askari covered some of the major studies done in this market, the types of products offered, research findings on borrowers and their reason for borrowing, the state of the industry, and the role of banks and FinTechs in this market. Mr. Aguilar discussed the following legal and policy developments in Small Dollar Lending: 2013 Deposit Advance Project (DAP) Guidance; 2017 Payday Rule; 2017 DAP Guidance Rescission and OCC Bulletin 2018-4, “Installment Lending: Core Lending Principles for Short-Term, Small Dollar Installment Lending”; and the Military Lending Act.

MDI Collaboration Update

Bill Haas provided the MDIAC with an update on the OCC MDI Collaboration Roundtable Events. Three roundtables were held in 2018 with a focus to engage participants in discussion of successes seen since introductory session in 2017, discuss impediments to successful collaboration, and focus on further needs. The level of participation of banks increased year over year and the group confirmed during discussion that the relationships developed as a result of this collaboration initiative are resulting in tangible benefits.

Natalie Abatemarco and Jesse Jackson reported on the continued success of their respective institution’s collaborative initiatives/programs and noted being contacted by other institutions about setting up similar programs.

Mr. Haas encouraged the MDIAC to provide suggestions for focal points for the three roundtables scheduled for 2019. The 2019 dates are April 18, 2019; May 29, 2019; and June 13, 2019.

Remarks from Comptroller of the Currency (CoC) Joseph M. Otting

CoC Otting addressed the group, noting the importance of MDI/CDFI banks and his appreciation of the interactions with the MDIAC. CoC discussed OCC Priorities and Legislative Updates:

- Small Dollar Lending
- CRA Modernization
- BSA/AML Regulatory Reform
- FinTech Charter
- Economic Growth, Regulatory Relief, and Consumer Protection Act

The MDIAC provided comments on competitive pressures and remaining relevant in the communities they serve, the role of artificial intelligence in banking, success of MDI Collaborative Initiatives, and the importance of communication and engagement with their local supervisory offices.

MDIAC Roundtable – MDIAC Committee Members

There were no discussion topics.

Public Observer Comments

Betty Rudolph introduced herself to the group and provided the following:

- 2017 FDIC Household Survey will be live streamed at the FDIC Advisory Committee meeting October 24, 2018
- In May or June 2019, the FDIC, in partnership with the FRB will host an interagency MDIAC conference
- In December 2018, the FDIC issues a resource guide for collaboration

Natalie Abatemarco introduced herself to the group and provided the following:

- Appreciated MDIAC comments validating that Citibank should continue to seek ways to do more collaboration with MDIs/CDFIs.
- The MDI Collaboration initiative should be included in the CRA ANPR comments, and Ms. Abatemarco encouraged the group to submit feedback.
- The group discussed other products/services Citibank may be considering for partnership opportunities within their footprint.

Adjournment

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

The minutes are an accurate representation of the meeting.