AMERICA'S MUTUAL BANKS
701 8TH STREET NW SUITE 700. WASHINGTON, D.C. 20001

Contact: Douglas Faucette
Locke Lord LLP
T: 202-220-6961
dfaucette@lockelord.com

FOR IMMEDIATE RELEASE

AMERICA'S MUTUAL BANKS SENDS LETTER TO BANKING AGENCIES SEEKING RELIEF FROM THE VOLCKER RULE FOR MUTUAL BANKS

(Washington, DC) January 8, 2014– America's Mutual Banks sent a letter today to the heads of all three Federal Banking Regulators seeking relief from the unintended hardships for mutual banks caused by the joint agency interpretation of the Volcker rule. The letter pointed out the special injury that mutual banks would incur because of the rule's consequence of forcing immediate write-downs. It explained the inability of mutuals to recover the lost capital through any other method than accumulated earnings which for many could take several years. It further explained that the loss of earnings because of the write-down would hamper mutual banks efforts to support their communities. It cited the case of First County Savings Bank that would have to miss its regular contribution to its community foundation this year because of a write-down of its CDO investments collateralized by trust preferred securities.

It also revealed a less understood adverse impact on small mutual banks i.e., the hindrance of the marketing and issuance of securities backed by pooled capital instruments issued by mutual banks. It emphasized that if mutual banks cannot use pooled issuances the feasibility of publicly issued capital securities for mutuals which are all less than $10 billion in assets with all averaging $250 million in assets would be in doubt. It further emphasized that the prohibition of bank investments in such securities would limit the universe of potential buyers, leave few desirable alternatives and make more risky investments in less liquid securities.

A copy of the letter is attached.

About America's Mutual Banks

America's Mutual Banks is an association of like-minded mutuals dedicated to preserving and advancing the mutual banking form. America's Mutual Banks is headquartered at 701 8th Street NW, Suite 700, Washington, D.C. 20001. Please visit www.americasmutualbanks.com or contact Douglas Faucette, Locke Lord LLP, at 202-220-6961 with any questions or requests for additional information on America's Mutual Banks.

###

AMERICA'S MUTUAL BANKS
701 8TH STREET NW SUITE 700. WASHINGTON, D.C. 20001

January 8, 2014

The Honorable Janet L. Yellen
Chairperson
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairperson Yellen, Comptroller Curry and Chairman Gruenberg:

America's Mutual Banks (AMB) represents mutual banks and savings and loan associations, federally and state chartered, throughout the United States. AMB would like to express its concern over the joint agency implementation of the Volcker Rule as applied to collateralized debt securities backed by trust preferred securities (TRUPs). AMB, like many other concerned parties,[1] is distressed by the unintended consequences which the current joint agency interpretation of the Volcker Rule will have on community banks and mutual form banks in particular. More than any other form of banking institution, mutual banks are exposed to the greatest injury when regulations have the effect of extinguishing capital in one fell swoop. As you know, mutual banks, under current law and regulation, are unable to raise additional capital but through retained earnings; they have no access to the capital markets. It is particularly ironic that banks which average $250 million in asset size are adversely effected by a rule that was intended to reduce the risk from banks which are systemically significant.[2]

AMB is particularly concerned that the treatment of investments in collateralized debt obligations backed by trust preferred securities will have a disparate impact on mutual banks. The agencies approach is to sweep with a broad brush not just the large, complex financial institutions, but also much smaller banks, including mutual banks (all of which have total assets under $10 billion and most of which are significantly under that number). This overly broad application of the Volcker Rule to smaller banks and mutual banks was hardly intended by Congress. It is imperative that the agencies understand the disruption this application is likely to cause in many communities throughout the country.

1 On December 17, 2013, the American Bankers Association, together with all 50 state banking associations, submitted a joint letter to the federal banking agencies expressing their concern regarding this issue. On December 24, 2013 the American Bankers Association filed an emergency motion in federal district court for a stay of the Volcker Rule provision regarding TRUPs.

2 In the December 10, 2013 joint release by the banking agencies discussing the applicability of the Volcker Rule to community banks (banking entities with less than $10 billion in total consolidated assets), the agencies made clear that the "Final Rule is designed to place minimal burden on community banks given the nature of their activities."

One of our members, First County Bank, a $1.4 billion mutual bank in Stamford, Connecticut, serves as an example of the particular harm that this rule causes to mutual banks In his email to the agencies on December 31, 2013, Mr. Reyno Giallongo, Chairman and CEO of First County Bank, explained that the current position of the agencies regarding TRUPs would cause First County Bank to immediately take an accounting adjustment which would reduce the bank's Tier 1 capital ratio by nearly 100 basis points. While the bank will continue to be well capitalized even with such a drastic reduction, Mr. Giallongo stated it will negatively impact the bank's ability to fulfill its planned contributions to its charitable foundation. The absence of the contribution will adversely affect a broad community constituency which relies on grants from the foundation.

Further, AMB is concerned that the agencies interpretation regarding securities backed by pooled TRUPs may call into question the feasibility of pooled securities issued by community banks. Mutual banks are on average under an asset size which would facilitate the issuance of a capital instrument in the marketplace that would carry any liquidity. In order for most mutual banks to successfully market and issue any type of capital instrument it would have to do so to a pool or in a private placement which is not cost effective. The inability of banks to invest in securities which are backed by capital instruments issued in small amounts increases both the risk to the investor because of illiquidity and the transaction costs to the issuer. The agencies position is likely to result in a minimal appetite in the marketplace for these securities decreasing the ability of many community banks to raise additional capital with which to support their business and their communities.

AMB urges you to reconsider your position regarding TRUPs and CDOs and exempt all banks with assets under $10 billion. AMB wishes to impress upon the agencies that their attempt to apply provisions of the Volcker Rule to community banks and specifically mutual banks is misguided and unnecessary to protect the interests of the financial system.

Thank you for the opportunity to be a part of the solution to this pressing and unanticipated problem.

Very truly yours,

Douglas P. Faucette
America's Mutual Banks
701 8th Street N.W., Suite 700
Washington, DC   20001
Telephone: 202-220-6961
dfaucette@lockelord.com