

Application Reminders

Presented by:

Chapelle Davis, Assistant Vice President

Kathy Haney, Director of Examinations



Southeast Bankers Outreach Forum
September 30, 2014

The opinions expressed are those of the presenter and are not those of the Federal Reserve Bank of Atlanta, the Federal Reserve System, or its Board of Governors.

- Background
- Recent Guidance
 1. Pre-filing Process
 2. Branching by “3” Rated Organizations
 3. Increased Transparency About the Fed’s Applications Process

- Protested Applications
- CRA/Consumer Affairs Issues
- BSA/AML Issues
- Membership
- General Helpful Hints
- Closing and Q&A

Background

Applications Group



- Process applications/notices filed by SMBs, BHCs, FBOs, SLHCs
- Common Types
- 250-300 filings, on average, each year
- 28 day average processing time
- Close coordination with S/S and Consumer Affairs teams
- Delegated versus non-delegated action
- Increased interest in expansionary filings

Recent Guidance

Pre-filing Process



- Adopted a structured pre-filing process (SR 12-12) in 2012
- Can use for all application types
- Purpose is for Fed to provide feedback prior to filing a formal application
- Aid community banks (in-frequent filers)
- Optional, not mandatory process

Recent Guidance

Pre-filing Process



- Potential applicant provides information about proposal (BP, agreements, etc.)
- High level review not to exceed 60 days
- Provide feedback on key issues and other information to address in formal filing
- Provide feedback via letter, email or call
- Received some pre-filings – beneficial for banking entities and Fed

Recent Guidance

Branching by “3” Rated Organizations



- Adopted SR 13-7 in 2013
- Applicable when “3” composite S/S or Compliance rating or if HC has “3” composite rating or “3” in the RM or Financial factors
- Applicable to SMB with a satisfactory composite rating but “3” management rating

Recent Guidance

Branching by “3” Rated Organizations



- Guidance allows for approving branch applications in certain cases:
 1. Well defined branching rationale
 2. Satisfactory progress in addressing issues
 3. Stable or improving risk/financial factors
 4. Strong/satisfactory capital – “2” rating
 5. Earnings rated no less than “3”
 6. Branching – within/contiguous to footprint

Recent Guidance

Increased Transparency in Applications Process



- Adopted SR 14-2 in 2014
- Addresses reasons why an application may not be approved
- In these cases, applicant withdraws application rather than risking a denial
- Can be withdrawn by applicant or at request of the Fed
- 2009-2012: 7,000 filings - 700 withdrawals

Recent Guidance

Increased Transparency in Applications Process



Common issues for withdrawals:

- Less than satisfactory ratings – S/S, CRA, Consumer
- Subject to formal enforcement action
- Pro-forma financial condition
- Source of strength concerns for HCs
- Acquisition debt concerns
- Higher risk business plans

Common issues for withdrawals (continued):

- Managerial issues – insufficient banking experience, weak financial responsibility, other background issues
- Less than satisfactory BSA/AML program
- Section 23A and Regulation W exemption requests
- Competitive or Financial Stability Factors

Recent Guidance

Increased Transparency in Applications Process



- Consider these issues if plan to file an application/notice
- Expect applicants to resolve substantive issues prior to filing
- Encourage use of the pre-filing process for infrequent filers or for novel proposals
- Fed will publish semi-annual reports starting in 4th quarter 2014 – key stats and primary reasons for withdrawn filings

Protested Applications

CRA/Consumer Affairs Issues



- Expansionary applications require newspaper and/or Fed Register publication
- Allows interested parties to comment
- Substantive comments can relate to fair lending/CRA performance and can impact processing of filing
- Ex-parte rules limit communication
- Fed review of exams and HMDA data

Protested Applications

CRA/Consumer Affairs Issues



- Ensure previous exam issues have been fully addressed
- Build flexibility into target timeframes, including the DP conversion
- Seek clarification of additional information questions
- Provide fulsome responses to additional information requests

Bank Secrecy Act/AML Issues

Impact on Applications



- Is a factor considered when evaluating expansionary applications
- Less than satisfactory BSA/AML program is a major barrier to approval
- Some well publicized cases where this was an issue and prevented approval

- Increased interest
- Institution should be in sound condition
- Fed conducts limited on-site visit
- File application after visit
- Process in 15-30 days
- No newspaper publication or consummation waiting period

General Helpful Hints

When Filing an Application/Notice



- www.federalreserve.gov
- www.frbatlanta.org
- Confidential information should be labeled and separately bound
- Option to file electronically through the Fed's E-Apps system
- Option to use Pre-filing Process
- Email or call us!

Closing Comments



- Q&A
- Call or email if follow-up questions
- Chappelle Davis: chappelle.davis@atl.frb.org or 404-498-7278
- Kathy Haney: kathryn.haney@atl.frb.org or 404-498-7298