Application Reminders

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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
• 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 Affair teams
• Delegated versus non-delegated action
• Increased interest in expansionary filings
• 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
• 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
• 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• Can be withdrawn by applicant or at request of the Fed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
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
• 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
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
Membership

- 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](http://www.federalreserve.gov)
- [www.frbatlanta.org](http://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!
• Q&A
• Call or email if follow-up questions
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