



# Indiana Department of Financial Institutions

DeNovo Financial Institution Application Guide

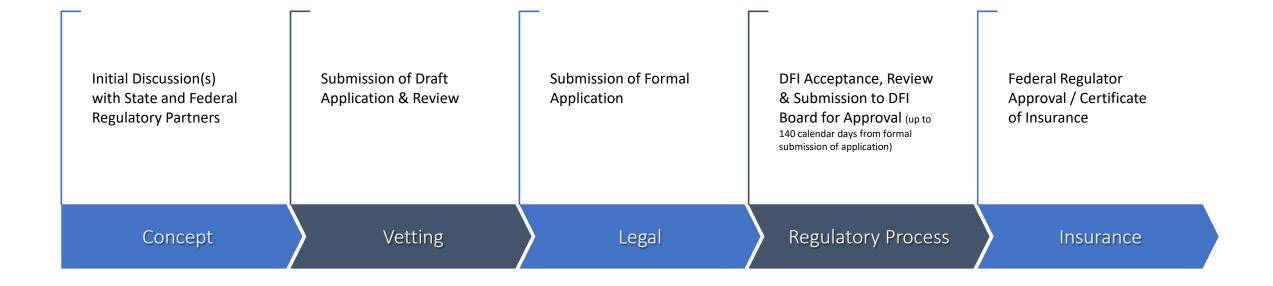


- Application Steps
- Pre-Application Process
- Items to Consider / Provide with the Application Process
  - Business Plan
  - Corporate Governance Structure
  - Corporate Structure & Capital Stack
  - Key Operating Platforms & Vendors
  - Fees
- Applications to Submit
- Application Review/Approval Process
- Post Approval





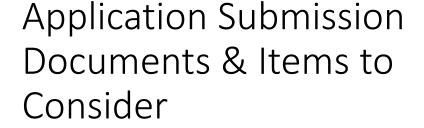




# **Pre-Application Process**

- Hold initial discussions with the state and federal regulators regarding the intention to form a financial institution and to obtain initial information on regulatory standards, challenges, and opportunities
- Analyze and discuss the statutory requirements established for formation in 28-11-5
- Become familiar with the Indiana specific financial institution laws outlined in Indiana Code Title 28 & become familiar with DFI Policy statements listed on the DFI website (www.in.gov/dfi)
- Identify key individuals to serve on the senior management team and the directorate
- Prepare a draft business plan and financial projections
- Identify consultant partners for legal and accounting services
- Choose a federal regulatory and insurance partner
- Share a Draft DeNovo Application with the DFI for review and discussion





- Business Plan & Financials
- Corporate Governance Structure
- Corporate Structure & Capital Stack
- Key Operating Platforms & Vendors
- Fees



VS



### **BUSINESS PLAN**

- A. Market analysis / Feasibility study
- **B.** Competitive analysis
  - 1. Geographic area
  - 2. Economic environment
- C. Marketing plan and target customer market / Field of Membership (Credit Union)
- D. Primary product lines, including electronic banking delivery methods and services, and trust services
- **E.** Financial Projections
- F. Description of Premises and Fixed Assets
  - 1. Describe main office and details of purchase/lease of land, building and furniture, fixtures, and equipment
  - 2. Describe branches and details of purchase/lease of land, building and furniture, fixtures, and equipment
  - 3. Physical security programs
  - 4. Hours of operation

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### 5-YEAR FINANCIAL PROJECTIONS

- A. Projected Balance Sheet, including primary and sub-category products (i.e automobile loans, HELOCs, first mortgages, etc.)
- **B.** Projected Income Statement
- C. Projected Regulatory Capital Schedules

<sup>\*</sup>Please provide sufficient detail in key categories, including explanation of assumptions

# **CORPORATE GOVERNANCE**



### **PEOPLE**

- A. Listing of proposed senior management members and their resumes/qualifications
- **B.** Listing of proposed financial institution directors and their resumes/qualifications
- C. Listing of principal shareholders
- D. Projected board committees and possible committee membership
- E. Listing of any interlocking relationships impacting the proposed senior management, principal shareholders, or directors.

### **DRAFT POLICIES**

- A. Capital Policy
- B. Loan Policy

VS

- C. Investment Policy
- D. Liquidity / Funds Management Policies
- E. Interest Rate Risk Policy
- F. Corporate Governance Policy
- G. Insider Transactions and Conflicts of Interest Policies
- H. IT/Cybersecurity Policies
- I. BSA / AML Policy
- J. Relevant Trust Policies



VS



### CORPORATE STRUCTURE

- A. Will the institution be a Corporation, LLC, or S Corp?
- B. Who will be the primary federal regulator and insurer?
- C. Will there be a holding company?
- D. Will there be any financial institution and/or holding company subsidiaries at formation?
- **E.** Listing of proposed investors
- F. Articles of Incorporation
- **G.** Fidelity coverage and/or Trust Errors and Omissions policies
- H. Proposed Name By federal law, State-chartered financial institutions cannot have "National or NA" in their name

### CAPITAL STACK DESCRIPTION

- A. Public or private stock offering/sale of stock?
- **B.** Listing of classes of stock
- C. Number of authorized shares
- D. Number of shares to be issued
- E. Par value of shares issued
- F. Outline of voting rights
- G. Projected sales price per share
- H. Description of adequacy of proposed capital relative to internal and external risks and payment of organizational expenses
- I. Dividend distribution plans (likely limited in at least the first 3 to 5 years by the regulators)

### Platforms and Vendors

- A. Listing of core service providers, information technology posture (i.e serviced or in-house) and proposed data security programs
- B. Proposed listing of key vendors and a proposed vendor management program
- C. Description of the deposit taking, investment accounting, and loan accounting platforms
- D. Listing of proposed accounting, legal, and brokerage firms



# Application & On-Going Fee Assessments

#### A. Application

- A. \$4,000 at the time of application submission
- B. \$4,000 upon charter approval
- C. Additional application review expenses charged at \$80 per hour for all personnel involved in processing, analyzing, or investigating the application

#### **B.** Annual Fee Assessment

- A. Asset based fee assessed in July based off previous year-end total assets
- B. Annual consumer loan volume fee assessed in November of each year
- C. DFI fee schedules are updated every July and can be accessed at the link below

https://www.in.gov/dfi/general-information/policies-and-guidance/





- State Charter Application
- Insurance Application
- Holding Company Application

Applications to Submit

# Applications / Filings Required for DeNovo Chartering

- Indiana Department of Financial Institutions Articles / Applications
  - Application to Organize a Financial Institution (application varies based on entity type)
  - Confidential Financial and Biographical Report
  - Articles of Incorporation
  - Certificate of Payment of Capital Stock (Prior to commencing business)

(https://www.in.gov/dfi/licensing-and-applications/depository-applications/)

- Federal Deposit Insurance Corporation Application (Bank)
- National Credit Union Association Application (Credit Union)
- American Share Insurance Application (Privately-Insured Credit Union)
- Federal Reserve Bank Holding Company Application (if necessary)





- Application Acceptance
- Application Processing
- Members Approval

Application Review / Approval Process

# Working the Application

- The Department has 20 business days (IC 28-11-5-3) to accept for processing, return the application due to incomplete information, or ask for additional information once the formal application has been received
- Once the application has been accepted for processing the Department has 120 calendar days (IC 28-11-5-8) to bring the application to the Department's Members Board for consideration. During the 120-day period the Department will:
  - Review the responses provided in the DFI and federal applications
  - · Meet with the proposed senior management members, directors, and principal shareholders
  - Assess the business plan, financial projections, corporate governance structure, management capabilities, and the capital run-rate of the proposed institution
  - Assess the applications compliance with the parameters established in Indiana Code 28-11-5
  - · Correspond and work with the federal regulators through the application process
  - If staff believes the requirements of the above statute have been met the application will be presented to the DFI Members Board for their consideration at a public meeting
- Department Members Approval (IC 28-11-5-4)
  - If the DFI Members Board approves the formation, the entity is allowed to begin operating once:
    - The appropriate federal regulators and insurers have approved the application
    - · A certificate of insurance has been issued
    - A completion of capital certificate is obtained and submitted to the Department
    - The Articles of Incorporation have been filed with the Indiana Secretary of State
  - The Department will issue an approval letter that lays out the conditions for approval





- Examination Schedule
- DeNovo Period Expectations

Post Approval

### Examinations

- Visit from the DFI and the primary federal regulator/insurer within 1 week from official opening
- Formal 6-month and 1-year joint examination with the DFI and federal regulator/insurer
- Annual examination for the first three years of the denovo period
- After the 3-year denovo period the examination frequency will transition to the normal frequency based on asset size and CAMELS rating condition.





- 1. Provide the regulatory agencies monthly financial statements for at least the 1<sup>st</sup> year after opening
- 2. Requirement that all significant deviations from business plan are approved by the regulatory agencies
- 3. Requirement that all significant deviations from projections are approved by the regulatory agencies
- 4. Regulatory approval prior issuance of any kind of stock (preferred or common)
- 5. Dividends are not paid unless approval received from regulatory agencies
- 6. Approval of Director of Department to add or replace any officer or director of the financial institution
- 7. Requirement for an annual Certified audit to be performed
- 8. Satisfactory compliance with all approval letter conditions





### FDIC DeNovo Institutions Handbook

https://www.fdic.gov/regulations/applications/depositinsurance/handbook.pdf

### NCUA Chartering & Field of Membership Manual

https://www.ncua.gov/support-services/credit-unionresources-expansion/chartering/chartering-fieldmembership-manual

# Additional Resources





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Depository Applications





Email
BankApplications
@dfi.in.gov



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