



# FINANCIAL INSTITUTIONS TODAY

News and topics of interest to financial institutions regulated by the Department of Banking and Finance

Monthly Bulletin #5

May 2011

## Inside this issue:

Board of Directors: Leadership Exemplified by Tone at the Top (continued)	2
NCUA Board's Proposed Program for the Voluntary Prepayment of Stabilization Fund Assessments	2
Governor Deal Signs House Bill 239	3
Action on Applications for the Month of May	4
Customer Service Stars for the Month of May	5
DBF Recognizes 2010 Award Winners	6
Contact Information	8

## Board of Directors: Leadership Exemplified by Tone at the Top (part 2 of a series)

*"Example is not the main thing in influencing others, it is the only thing."* ~ Dr. Albert Schweitzer

This quote by theologian, philosopher, physician, and Nobel Peace Laureate Dr. Albert Schweitzer illustrates the importance of leading by example and setting a proper tone. In last month's Bulletin article titled "**Board of Directors: The Essential Roles of Governance and Oversight**", we asserted that financial institution leaders are expected to establish a tone at the top of the organization for high ethical standards and embody commitment to the service of their communities and membership. As summarized in a 2004 speech on "Current Issues in Corporate Culture" by then Federal Reserve Governor Susan Schmidt Bies:

"The board and senior management are obligated to deliver a strong message to others in the firm about the importance of integrity, compliance with the law, fair treatment of customers, and overall good business ethics. Leaders should demonstrate their commitment through their individual conduct and their response to control failures.

While the ethical tone of a financial institution comes from the top, a successful ethics program must be demonstrated by staff at all levels and throughout the organization. The environment should empower any employee to elevate ethical or reputational concerns to appropriate levels of management without fear of retribution. In other words, the culture of the organization should raise issues to senior management that they may not be aware of; management can then demonstrate their commitment by responding appropriately."

During this period of extraordinary economic stress, the Department has seen increased incidents of board members and executive officers experiencing personal financial challenges. Consistent with setting an example of high ethical standards and good business ethics, boards should take proactive steps to remove or place in an advisory capacity those directors that have classified assets or caused loss to a financial institution until such time as those directors restore their finances to a satisfactory condition. Board members are reminded that an inability to manage personal finances or related business affairs in a fiscally responsible, diligent, or lawful fashion is grounds for removal under O.C.G.A. Section 7-1-71. This Code Section further provides statutory remedies for dishonesty or recklessness in management of the affairs of the financial institution, persistent violation of laws, or indictment for crimes involving moral turpitude or breach of trust. The standards set forth in Ms. Bies' speech align to the elements of this Code Section, and the strength of statutory remedies affirms the expectation of high standards of responsible and ethical conduct by the leaders of financial institutions in Georgia.

(Continued on page 2)

## Board of Directors: Leadership Exemplified by Tone at the Top (*part 2 of a series*)

(Continued from page 1)

Strong leadership from informed and engaged boards of directors is an essential element in returning Georgia's financial services industry to a healthy, stable condition. Tone at the top of a financial institution must be clearly communicated and openly demonstrated to influence others throughout the organization and engrain a culture of high ethical standards through leadership by example.

---

## NCUA Board's Proposed Program for the Voluntary Prepayment of Stabilization Fund Assessments

The NCUA Board discussed a voluntary program of assessment prepayments at the May 19, 2011 meeting. Current projections indicate a \$2.94 billion funding need for the Stabilization Fund prior to 2013, which equates to approximately 38 basis points of insured shares for 2011 and 2012 combined.

The credit union industry has substantial liquidity, with federally-insured credit unions holding more than \$80 billion in liquid assets as of March 31, 2011. The NCUA Board is proposing the prepayment of the assessment because such a program "could enhance the NCUA's flexibility in setting Stabilization Fund assessments and reduce the level of Stabilization Fund borrowings and interest expense." The voluntary assessment prepayment program would apply to Stabilization Fund assessments approved by the NCUA Board for periods after 2012 (thus, prepaid assessments would not be applied to any assessments approved in 2011 and 2012).

The prepaid assessments would not receive interest or any other form of compensation from the NCUA in connection with the program. Prepaid assessments would not be redeemable until the end of the life of the Stabilization Fund (June 2021). The minimum prepaid assessment is \$10,000, and the maximum prepaid assessment is 36 basis points of March 31, 2011 insured shares. There must be minimum aggregate prepaid assessments of \$300 million. The minimum aggregate is approximately 4 basis points of system-wide insured shares and is intended to "ensure broad involvement and meaningful funding levels." Credit unions investigating the participation in this voluntary program should consider the lost opportunity cost and the impact on liquidity of not having access to funds provided.

The NCUA is requesting comments from the industry about the proposed program. Specifically, the NCUA invites comments on:

- \* The efficacy of such an approach to funding, including any public policy considerations.
- \* Accounting treatment and considerations for such a program.
- \* The extent to which there would be sufficient interest in such a program to warrant proceeding.
- \* Any other suggestions or concerns related to this type of program.

**The NCUA must receive comments by June 20, 2011.** Comments may be sent by e-mail to [regcomments@ncua.gov](mailto:regcomments@ncua.gov). Include "[Your name] - Comments on Potential Voluntary Prepaid Assessments Program" in the e-mail subject line. Comments may also be sent via fax to (703) 518-6319 or by mail to Mary Rupp, Secretary of the Board; National Credit Union Administration; 1775 Duke Street; Alexandria, Virginia 22314-3428.

**More information on the Voluntary Prepayment of Stabilization Fund Assessments can be found on the NCUA's website at:** <http://www.ncua.gov/GenInfo/BoardandAction/DraftBoardActions/2011/May19/Item5-11-0519.pdf>

## Governor Deal Signs House Bill 239

During the 2011 legislative session, the Department sponsored [House Bill \(HB 239\)](#) - a “Housekeeping Bill” to provide statutory clarifications. HB 239 was signed by Governor Deal on May 11, 2011, and will become effective on July 1, 2011.

A brief synopsis of the statutory changes affecting depository financial institutions is as follows:

### “Statutory Capital Base” (O.C.G.A. §7-1-4(35))

The definition of “statutory capital base” was changed to simplify the calculation and create a more stable result by eliminating reliance on net assets, which fluctuate with unrealized gains and losses on available-for-sale investment securities. This change should result in a more stable number that will not be subject to large daily fluctuations unless there is a change in a bank’s capital structure.

### Voluntary dissolution prior to commencement of business. (O.C.G.A. §7-1-113)

Language has been added to allow the Department to file for dissolution of a corporate bank charter if an organizing group fails to do so after demand.

The Department has had a few occasions where banks in organization, long past their authorization window, have failed to file voluntary dissolution with the Georgia Secretary of State’s office. The language change will allow for the Department to file dissolution directly if a bank in organization fails to do so after demand from the Department. We anticipate that this will be a little-used provision; however, it will be necessary in certain limited circumstances.

### Number, term, and compensation of directors. (O.C.G.A. §7-1-482)

Language change to clarify that the failure of a financial institution to maintain at least five (5) directors at any time, does not release the remaining directors from their obligations and liabilities associated with their decisions as directors of the financial institution.

No additional or new liabilities for directors are established by this language change. The language simply clarifies that even though the law requires five directors, if an institution has less than five directors for whatever reason, the remaining directors are still responsible for the decisions they make for the institution. This change is the result of the FDIC’s concern when entering into a Consent Order with an institution that had less than five directors at the time of the signing of the order.

### Board of directors; credit and supervisory committees; officers; oaths of officials; removal from office. (O.C.G.A. §7-1-655)

Language change to reconcile any conflict between O.C.G.A. §§ 7-1-655(c) and 7-1-658(3) regarding who can serve on the credit committee of a credit union. To clarify, the Department added to 7-1-655(c) “. . . No member of the supervisory committee may serve as a member of the credit committee or as an officer, unless the Board of Directors functions as the credit committee . . .“

### “P.O.D. Account” (O.C.G.A. §7-1-810(10))

A 2009 Georgia Supreme Court decision ruled that a corporation is not an eligible “payable on death” (P.O.D. payee) beneficiary. That Court determined that the statute provided that a P.O.D. payee must be a “person” as it is defined at 7-1-4(26) which does not include incorporated entities. [The case is TUVIM et al v. UNITED JEWISH COMMUNITIES, INC. et al, 285 Ga. 632 (2009).]

The language change allows POD payees to be incorporated entities, such as charities or funeral homes.

In addition to the items listed above impacting depository financial institutions, a synopsis of HB 239 which includes changes to the Georgia Residential Mortgage Act (GRMA) can be found on our website at:

[http://dbf.georgia.gov/vgn/images/portal/cit\\_1210/37/10/171905986201HKbillTalkingPointsFinal-May2011.pdf](http://dbf.georgia.gov/vgn/images/portal/cit_1210/37/10/171905986201HKbillTalkingPointsFinal-May2011.pdf).

## Action on Applications for the Month of May:

The following is a summary of official action taken on applications by State Financial Institutions under Chapter 7-1 of the Code of Georgia and petitions for Certificate of Incorporation of Financial Institutions and other matters of interest during the month of May 2011.

### APPLICATIONS TO ESTABLISH A BRANCH OFFICE

<u>FINANCIAL INSTITUTION</u>	<u>BRANCH OFFICE</u>	<u>APPROVAL</u>	<u>BEGIN BUSINESS</u>
American Pride Bank Macon	North Macon Branch Office 4511 Forsyth Road Macon, GA 31210 Bibb County	05-05-2011	
Greater Rome Bank Rome	Calhoun Branch Office 305 West Belmont Drive Calhoun, GA 30701 Gordon County	07-21-2010	05-02-2011
Waycross Bank & Trust Waycross	Retreat Village Branch Office 190 Retreat Village Retreat Village Shopping Center St. Simons Island, GA 31522 Glynn County	05-13-2011	

### APPLICATIONS TO CHANGE LOCATION

<u>FINANCIAL INSTITUTION</u>	<u>CHANGE LOCATION OF</u>	<u>APPROVAL</u>	<u>EFFECTIVE</u>
United Community Bank Blairsville	Etowah Branch Office From: 77 Etowah Drive Etowah, NC 28729 Henderson County To: 50 United Bank Drive Etowah, NC 28729 Henderson County	02-11-2011	05-02-2011
United Bank Zebulon	Highway 278 Branch Office From: 3147 Highway 278 Covington, GA 30014 To: 7200 Highway 278 Covington, GA 30014 Newton County	01-19-2011	04-04-2011

### FINANCIAL INSTITUTION MERGERS

<u>FINANCIAL INSTITUTION</u> <u>(SURVIVOR)</u>	<u>MERGED INSTITUTION</u>	<u>APPROVAL</u>	<u>EFFECTIVE</u>
The Farmers Bank Forsyth, GA	The Bank of Perry Perry, GA	Pending	
The Farmers Bank Forsyth, GA	The Peoples Bank Covington, GA	Pending	
The Farmers Bank Forsyth, GA	Spivey State Bank Swainsboro, GA	Pending	

**NOTIFICATION OF APPROVAL OF APPLICATION TO SERVE  
A RESIDENTIAL GROUP COMMON BOND**

**CREDIT UNION**

HALLCO Community Credit Union  
Gainesville

**RESIDENTIAL GROUP COMMON BOND**

Dawson County, GA

**APPROVAL**

05-18-2011

**CHECK CASHER LICENSES ISSUED**

<b><u>CITY</u></b>	<b><u>APPLICANT NAME</u></b>	<b><u>TRADE NAME</u></b>
Marietta	* C First, Inc.	Minit Saver
Marietta	Capital City, Inc.	Charlie's Beer & Wine
Fitzgerald	* Devshree, LLC	EZ Food Mart
Forest Park	* Duvel Investment Corp.	Pak N Go
Conley	Hirut Investment, Inc.	Conley Citgo Express
Norcross	Intersolutions, Inc.	
Atlanta	J. D. Fletcher and Associates, LLC	
Lakeland	* Kartikush Corporation	Lakeland Package Store
Columbus	Money-Rite Auto Pawn of Georgia, LLC	MyCashMax
Irwinton	* P & J Quality Enterprise, Inc.	Quality Food Mart
Rincon	Shree Dutta, Inc.	Elcheapo
Warner Robins	Za-Su, Inc.	Fast Stop

\* =Registered (O.C.G.A. 7-1-700 et al)

**CUSTOMER SERVICE STARS FOR THE MONTH OF MAY**

It is the Department's goal to provide excellent customer service by meeting and exceeding the expectations of our customers. Along those lines, we would like to recognize the following individuals and/or teams for going above and beyond in serving our customers:

**Financial Examiner Ryan Baker and his examination team (District I)** – The Department received comments from a customer stating: "I want to thank Ryan Baker and his team for their efficiency and professionalism during our recent examination. Your team's presentation of exam results at our board meeting was very well done and informative. I would like to also commend you and your team for the quick preparation of our exam report."

**Supervisory Manager Janet Anderson, Review Examiner Deborah Long and Applications Analyst Irene Harper** – The Department received several comments from customers stating: "I have been working on licensing in several states over the past 12 months and I found Georgia to be extremely straightforward and timely. As a busy professional, I really appreciate the professionalism of your staff." and "Janet Anderson was my contact during the application process. She was extremely knowledgeable and helpful. Being licensed in 20 states, Georgia was one of the most helpful and pleasant departments that I have dealt with over the last two years." and "I have contacted both Deborah Long and Irene Harper on several occasions. Both have been extremely helpful, always courteous, and prompt at returning phone calls. Most often they are able to answer any questions, if not they will check and always get back to me. They have been delightful to work with."

**CONGRATULATIONS AND GREAT JOB TO THIS MONTH'S  
CUSTOMER SERVICE STARS!!**



## DBF Recognizes 2010 Award Winners

During meetings and other events held around the state in May, the Department recognized winners of its 2010 Employee Awards. This annual awards process formally recognizes outstanding employee performance during the previous calendar year. Awards presented this year were in four categories, including:

- Leadership Award;
- **“Jenny Neville”** Customer Service Award;
- Community Service Award; and
- Gold Medal Awards

"I think it's essential that we reward and celebrate outstanding performance. The annual awards program is just one of several ways in which we try to showcase excellent service and leadership skills," said Commissioner Rob Braswell.



Harold Carney  
(pictured with Commissioner Braswell)

The **Leadership Award** was presented to Supervisory Examiner Harold Carney. This award is presented to an individual that has exemplified and promoted outstanding leadership qualities and behaviors, including but not limited to:

- ✦ Motivates and brings about enthusiasm in others.
- ✦ Demonstrates a high ethical standard.
- ✦ Brings new ideas to the workplace.
- ✦ Appreciates differences and respects others.
- ✦ Embraces responsibility and demonstrates initiative.

The **“Jenny Neville” Customer Service Award** was presented to Senior Financial Examiner (Mortgage) Bob Bauguss. This award is presented to an individual that has made exceptional contributions that exceeded expectations in delivering services to external and/or internal customers. This individual has taken initiative in “going the extra mile” to provide service to internal and/or external customers with timely and appropriate follow-up, responsiveness to the needs of all customers and demonstrated improvement of customer service and satisfaction.



Bob Bauguss  
(pictured with Commissioner Braswell)



Helen O'Leary  
(pictured with Commissioner Braswell)

The **Community Service Award** was presented to Senior Non-Depository Financial Institutions Division Attorney Helen O'Leary. This individual through volunteerism or paid community service, must have exhibited dedication by improving the quality of life for members of the community and/or made program improvements. This may be an individual who has broad-based or community involvement, i.e. community or professional boards, service clubs, faith-based organizations, local and national charitable, legal or professional, or civic organizations.

## DBF Recognizes 2010 Award Winners *(continued)*

Several **Gold Medal Awards** were presented, as noted below. Individuals are selected each year from a list of nominees for their division or work area. This award is given to individuals whose overall performance has consistently reflected a high level of service, trustworthiness, and respect; who have demonstrated a consistent commitment to delivering products, services and/or information that satisfies customers by exceeding their requirements or expectations; who work effectively as part of a team to successfully accomplish a task or meet a goal; who creates a team environment that promotes communication, trust, cooperation and respect for differences; who contributes to a group effort which has a significant impact on Department goals; and/or who accepts responsibility and accountability in helping to advance the Department's mission, vision or goals.



Marilyn Harris  
Accounting and HR Specialist



Betty Thomas  
Senior Financial Examiner (Mortgage)



Murali Ramachandran  
Corporate Manager



Mark Pressler  
Financial Examiner - District 1



Mathew Robinson  
Financial Examiner - District 2



Bob Herndon  
Financial Examiner - District 4



Sue Ann Tucker  
Senior Financial Examiner - District 5

**CONGRATULATIONS AND GREAT JOB  
TO ALL OF OUR 2010 AWARD  
WINNERS!!**

**GEORGIA  
DEPARTMENT OF  
BANKING AND FINANCE**

2990 Brandywine Road  
Suite 200  
Atlanta, Georgia 30341-5565

Phone: (770) 986-1633  
Fax: (770) 986-1654 or 1655  
Email: [dbfpress@dbf.state.ga.us](mailto:dbfpress@dbf.state.ga.us)

**We're on the Web!**

**Visit our website at:  
[dbf.georgia.gov](http://dbf.georgia.gov)**

The Department is the state agency that regulates and examines banks, credit unions, and trust companies chartered by the State of Georgia. The Department also has regulatory and/or licensing authority over mortgage brokers/processors, lenders and loan originators, money service businesses, international banking organizations, and bank holding companies conducting business in Georgia.

Our **Mission** is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

Our **Vision** is to be the best financial services industry regulator in the country – Progressive. Proactive. Service-Oriented.

*Our Motto is: "Safeguarding Georgia's Financial Services"*

**Sign-up to Receive this Publication:**

This publication is delivered to interested parties via e-mail and is also available from the Department's website at: <http://dbf.georgia.gov> under Publications, **Financial Institutions Bulletin**.

If you would like to be added to our distribution list, please send an e-mail to [dbfpress@dbf.state.ga.us](mailto:dbfpress@dbf.state.ga.us) and indicate your name, e-mail address, and the publication to which you wish to subscribe.

