

# Georgia State-Charter Credit Union Charter Application

## PROPOSED DEPOSITORY INSTITUTION DETAILS

Name

Proposed Address

Proposed Field(s) of Membership

## CONTACT PERSON

Name

Address

Email

Phone Number(s)

Relationship to Proposed Charter

## Section I

### 1. Overview

(a) Provide a brief overview of the application. The overview should describe the institution's business and any special market niche, including the products, market, services, and any nontraditional activities. Include the mission statement of the proposed credit union.

(b) Describe any issues about the permissibility of the proposal with regard to applicable state or federal laws or regulations. Identify any regulatory waiver requests and provide adequate justification.

(c) List and provide a copy of all applications filed in conjunction with this proposal, such as applications for credit union service organizations, trust powers, branch offices, and other subsidiaries.

(d) Provide a copy of the proposed articles of incorporation and proposed bylaws.

(e) Provide a copy of the business plan. The required elements of the business plan, including detailed financial projections, are outlined in Section II: Business Plan Guidelines.

### 2. Management

(a) Provide a list of the organizers, proposed directors, and senior executive officers. For each person listed, attach an Interagency Biographical and Financial Report and indicate all positions and offices currently held or to be held with the institution's affiliates, if applicable. Include the signed "Credit Union Oath of Office" for each proposed director.

(b) Describe each proposed director's qualifications and experience to serve and oversee management's implementation of the business plan. Describe the extent, if any, to which directors are or will be involved in the day-to-day management of the institution. Also list the forms of compensation, if any.

- (c) Provide a list of board committees and members.
- (d) Describe any plans to provide ongoing director education or training.
- (e) Describe each proposed senior executive officer's duties, responsibilities, qualifications, and experience to serve in his/her position. If a person has not yet been selected for a key position, list the criteria that will be required in the selection process. Discuss the proposed terms of employment, including compensation and benefits, and attach a copy of all pertinent documents, including an employment contract or compensation arrangement. Provide the aggregate compensation of all officers.
- (f) Describe any potential management interlocking relationships with an existing financial institution or planned financial institution.
- (g) Describe any potential conflicts of interest.
- (h) Describe any transaction, contract, professional fees, or any other type of business relationship involving the institution, and its affiliates (if applicable), and any organizer, director, senior executive officer, and other insiders. Include professional services or goods with respect to organizational expenses and credit union premises and fixed asset transactions.
- 1) State whether the business relationship is made in the ordinary course of business, is made on substantially the same terms as those prevailing at the time for comparable transactions with non-insiders, and does not present more than the normal risk of such transaction or present other unfavorable features.
  - 2) Specify those organizers that approved each transaction and whether the transaction was disclosed to proposed directors.
  - 3) Provide all relevant documentation, including contracts, independent appraisals, market valuations, and comparisons.

### **3. Capital**

For sections (a) through (c) below, include the detailed source of capital funds, support, subsidies, or donations, from the following entities:

- Credit union industry participants, such as vendors, associations and mentors;
- Community organizations, such as religious organizations;
- Sponsoring organization, a company, or an association;
- Non-profit organizations, such as an economic development corporation; and
- Other grant programs, such as the Community Development Financial Institutions Fund.

Within the application submission, all commitments pledged must be in writing from their source, include the specific commitment, and terms and must be supported by the donor's clear ability to provide the pledged support. All commitment letters must be signed by the donor, who must have authority to commit and provide the funds. Financial statements, a bank statement, or other documentation of the donor's ability to fund the committed amount must also be included. Ensure that all written commitments include, at a minimum, the following information: (a) Name

of the person or entity making the commitment; (b) amount and timing of donations; and (c) a statement acknowledging the funds are donated, with no expectation of repayment.

If funds have been received, provide a bank statement reflecting the deposit of funds and an acknowledgement letter signed by the donor confirming the funds are donations to the credit union, and not an investment or deposit.

There must be no expectation of donated funds being repaid. Any commitments that would require repayment are considered borrowings, not donated equity. As such, they cannot be counted towards the equity position of the pro forma financial projections. Subordinated debt is only available to credit unions after they are chartered. As such, subordinated debt cannot be included in pro forma financial statements as donated capital for purposes of applying for a charter.

(a) Provide details on the nature, terms, and conditions of all capital contributions, cash, non-member deposits, or other capital assistance provided. Any financial benchmarks that are tied to the commitment(s) or the repayment(s) should be detailed. Additional documentation, as applicable, should be provided as detailed above.

(b) Describe and detail any in-kind support, including office space, furniture and equipment, computers and recordkeeping software, utilities, etc.

(c) Discuss the adequacy of the proposed capital structure relative to internal and external risks, planned operational and financial assumptions, including technology, branching, and projected organization and operating expenses. Present a thorough justification to support the proposed capital, including any off-balance sheet activities contemplated. Describe any plans for the payment of dividends or other extraordinary non-contractual distributions.

(d) List recipients and amounts of any fees, commissions, or other considerations in connection with the financial institution capitalization.

#### **4. Convenience and Needs of the Community**

NOTE: This information must be consistent with the proposed business plan.

##### **(a) Market Characteristics**

1) Define the intended geographical market area(s). Include a map of the market area, pinpointing the location of proposed credit union's offices and offices of competing depository institutions.

2) Describe the competitive factors the institution faces in the proposed market and how the institution will address the convenience and needs of that market to maintain its long-term viability.

3) Discuss the economic environment and the need for the institution in terms of population trends, income, and industry and housing patterns.

(b) A sponsor is any person or entity that is providing resources or support to the credit union. If a sponsor is going to provide resources and/or support to the credit union that are not cash or

in-kind capital donations discussed in the capital section, and that sponsorship is critical to the credit union's success, documentation must be provided detailing the type and amount of support (for example, access to potential members at work or in the community, support of credit union marketing in entity newsletters or mailers, etc.) and the length of time the support will be provided. Copies of commitment letters must be included in the application.

(c) Provide the "Survey and Analysis of Potential Membership," to document evidence of member support as required by the NCUA.

## **5. Premises and Fixed Assets**

(a) Provide a physical description for permanent premises and discuss whether they will be publicly and handicapped accessible. Indicate the level and type of property insurance to be carried.

(b) If the permanent premises are to be purchased, provide name of seller, purchase price, cost and description of necessary repairs and alterations, and annual depreciation. If the premises are to be constructed, provide the name of the seller, the cost of the land, and the construction costs. Indicate the percentage of the building that will be occupied by the credit union. Provide a copy of the appraisal.

(c) If the permanent premises are to be leased, provide name of owner, terms of the lease, and cost and description of leasehold improvements. Provide a copy of the proposed lease when available.

(d) If temporary quarters are planned, provide a description of interim facility, length of use, lease terms, and other associated commitments and costs.

(e) State whether proposed premises and fixed asset expenditures conform to applicable statutory limitations.

(f) Outline the security program that will be developed and implemented, including the security devices.

(g) Describe any plan to establish branches or relocate the main office within the first three years of operation. Any acquisition or operating expenses should be reflected in the financial projections.

(h) Indicate if the establishment of the proposed main office and/or any branch site may affect any district, site, building, structure, or object listed in, or eligible for listing in, the National Register of Historic Places pursuant to the National Historic Preservation Act, 54 U.S.C. 306108. See the Advisory Council on Historic Preservation at [www.achp.gov](http://www.achp.gov) for the Act and implementing regulations.

## **6. Information Systems**

- (a) State whether the institution plans to market its products and via electronic means. If yes, specifically state the products and services that will be offered via electronic banking or the Internet.
- (b) Outline the proposed or existing information systems architecture and any proposed changes or upgrades. The information should describe how: (1) the information system will work within existing technology; (2) the information system is suitable to the type of business in which the institution will engage; (3) the security hardware, software, and procedures will be sufficient to protect the institution from unauthorized tampering or access; and (4) the organizers and directors will allocate sufficient resources to the entire technology plan.
- (c) Provide lists or descriptions of the primary systems and flowcharts of the general processes related to the products and services. The level of detail in these system descriptions should be sufficient to enable verification of the cost projections in the pro formas.
- (d) Estimate the start-up budget for the information systems related to the products and services and the expected annual operating and maintenance costs (including telecommunications, hardware, software, and personnel).
- (e) Describe the physical and logical components of security. Describe the security system and discuss the technologies used and key elements for the security controls, internal controls, and audit procedures. Discuss the types of independent testing the institution will conduct to ensure the integrity of the system and its controls.

## **7. Other Information**

- (a) List activities and functions, including data processing, that will be outsourced to third parties, identifying the parties and noting any affiliations. Describe all terms and conditions of the vendor management activities and provide a copy of the proposed agreement when available. Describe the due diligence conducted and the planned oversight and management program of the vendors' or service providers' relationships.
- (b) List all planned expenses related to the organization of the institution and include the name of recipient, type of professional service or goods, and amount. Describe how organization expenses will be paid.
- (c) Provide evidence that the institution will obtain sufficient fidelity coverage on its officers and employees to conform with generally accepted banking practices.
- (d) If applicable, list names and addresses of all correspondent depository institutions that have been established or are planned.
- (e) Provide a copy of management's policies for loans, investments, liquidity, funds management, interest rate risk, BSA and other relevant policies.

## **Section II Business Plan Guidelines**

The business plan should be an integral part of the management and oversight of a credit union. It should establish the credit union's goals and objectives. It is a written summary of how the business will organize its resources to meet its goals and how the institution will measure progress. The business plan should be a comprehensive plan, which is the result of in-depth planning by the credit union's organizers and management. It should realistically forecast market demand, member base, competition, and economic conditions. The plan must reflect sound banking principles and demonstrate realistic assessment of risk in light of economic and competitive conditions in the market to be served. A credit union with a special purpose or focus (for example, credit card, trust only, cash management, or corporate) should address this special or unique feature in detail in the appropriate sections of the plan.

The business plan should cover three years and provide detailed explanations of actions that are proposed to accomplish the primary functions of the credit union. The description should provide enough detail to demonstrate that the credit union has a reasonable chance for success, will operate in a safe and sound manner, and will have adequate capital to support the risk profile. For any credit union with an Internet or alternative electronic delivery channel, the plan should contain a clear and detailed definition of the market the institution plans to serve and the products and services it will provide through electronic channels. Because the Internet has a potential global market and can reach anyone with Internet access, the selected information on market area, products and services, and membership requirements is essential. The marketing plan should explain how the credit union would achieve brand recognition.

The business plan should align to the following format, or in an alternative format, contain the same information.

### **I. Table of Contents**

### **II. Executive Summary**

Describe the highlights of the plan.

### **III. Description of Business**

A. Describe the institution's business and any special market niche, including the products, market, services, and nontraditional activities.

B. If including subsidiary or affiliate structures, discuss the operations of the organization, including a brief detail of the organizational structure and interaction between the institution and its subsidiaries or affiliates.

C. Describe the extent, if any, that there are or will be transactions with affiliated entities or persons. Include terms.

D. Discuss the capital structure of the credit union.

E. Describe the proposed location, office quarters, and any branch structure.

F. Discuss any growth or expansion plans, including additional branches, other offices, mergers, or acquisitions.

#### **IV. Marketing Plan**

A marketing plan should provide in detail factual support that the credit union has reasonable prospects to achieve the revenue projections, customer volume, and key marketing and income targets. The analysis should be based on the most current data available, and the sources of information should be referenced. This section should contain an in-depth discussion of the major planning assumptions for the market analysis, economic, and competitive components used to develop the plans, objectives, and the basis for the assumptions.

##### **A. Product Strategy**

- 1) List and describe the general terms of the planned products and services, including activities of any subsidiaries. Discuss any plans to engage in any subprime or speculative lending, including plans to originate loans with high loan-to-value ratios.
- 2) Discuss how the institution will offer products and services over the first three years of operation, indicating any variation in the different market areas or distribution channels, and include the time frame for the introduction and the anticipated cost associated with each.
- 3) Describe the institution's plans to engage in any secondary market/mortgage banking activity, including loan participations. Discuss plans to use forward take-out commitments or engage in loan securitization. Describe any plans to engage in hedging activity to mitigate the risks of this activity. Also, discuss plans to retain recourse and servicing.
- 4) Describe the primary sources of loans and deposits and the major methods to solicit them. If using brokers or agents, provide full details of the nature and extent of all such activities, including sources, amounts, fees, and any intended tie-in of compensatory arrangements with the broker or agent.

##### **B. Market Analysis**

- 1) Describe the intended target market and the geographical market area(s).
- 2) Describe the demographics of the target market population, for example, age, education, and occupation.

##### **C. Economic Component**

- 1) Describe the economic forecast for the first three years of the plan. The plan should cover the most likely scenario and discuss possible economic downturns.
- 2) Indicate any national, regional, or local economic factors that may affect the operations of the institution. Include an analysis of any anticipated changes in the market, the factors influencing those changes, and the effect they will have on the institution.
- 3) Describe the current economic characteristics of the proposed market(s), for example, size, income, and industry and housing patterns.

4) Based on the economic characteristics described previously, discuss the economic factors that influence the products and services to be offered. A more in-depth discussion is warranted when different types of services are identified for different market areas in the Description of Business section.

#### D. Competitive Analysis

- 1) Compare and contrast the institution's product strategy with its principal competitors in the target market(s). Include expected results in terms of relative strength, market share, and pricing.
- 2) Discuss the overall marketing/advertising strategy, including approaches to reach target market through the marketing of brand, products, and services. Outline the specific medium that will be used, including timing and level of advertising efforts.
- 3) Discuss potential competition in the target market(s).

### V. Management Plan - Directors and Officers

A. Provide the number of organizers and/or directors. Provide a list of board committees and a brief explanation of the responsibilities of each committee.

B. Describe the organizational structure and provide an organizational chart, indicating the number of officers and employees. Describe the duties and responsibilities of the senior executive officers. Describe any management committees that are or will be established.

C. Discuss the institution's plans to address management succession, including any management training program or other available resources. If obtained, discuss any independent economic survey or market feasibility study.

### VI. Records, Systems, and Controls

A. Describe the institution's current and/or proposed accounting and internal control systems, indicating any use of electronic processing systems.

B. Describe management's proposed internal audit function. The description should set forth the independence of the department and the scope and frequency of audits. Discuss the experience and education of the audit staff. If external auditors will be used for internal audits, provide similar information for the external auditors.

C. Describe the compliance management programs, addressing independence, scope, frequency, and staff qualifications. Discuss how the institution will respond to member complaints.

D. State plans for an annual audit.

E. Discuss the functions that will be outsourced and what the institution will do in-house.

### VII. Financial Management Plan

A. Capital and Earnings



- 1) Discuss the capital goals and the means to achieve them.
- 2) Discuss the earnings goals in terms of return on assets, net interest margin, or other profitability measurements, and summarize the strategies to achieve those goals.
- 3) Discuss the plan for obtaining capital and for financing growth, with particular emphasis on conformance with regulatory capital requirements.
- 4) Discuss the adequacy of the proposed capital structure relative to internal and external risks, planned operational and financial assumptions, including technology, branching, and projected organization and operating expenses. Present a thorough justification to support the proposed capital, including any off balance-sheet activities contemplated.
- 5) Describe the debt service requirements for any borrowings obtained in organizing the institution.

#### B. Liquidity and Funds Management

- 1) Discuss how the institution will identify and measure liquidity risk.
- 2) Discuss the institution's plan to monitor and control its liquidity risk, including funding sources (deposits, borrowings, securitizations). Include sponsor support, if any.
- 3) Describe any plans to borrow funds from any financial institutions or other sources, including the amount, composition, interest rate, maturity, purpose, and collateral.
4. Discuss the type of investment securities the institution plans to purchase.

#### C. Sensitivity to Market Risk

1. Discuss the institution's objectives, strategies, and risk tolerance for interest rate risk.
2. Discuss how the institution will identify and measure interest rate risk.
3. Discuss the institution's asset and liability portfolio in terms of sensitivity to interest rate changes and the impact of earnings and capital and net portfolio value. Discuss the risk limits to control interest rate risk.
4. Describe any plans to use hedging activities, for example, futures, options, interest rate swaps, or other derivative instruments.

#### D. Credit Risk

1. Discuss how the institution will identify and measure credit risk.
2. Describe the loan review program, addressing independence, scope, frequency, and staff qualifications.
3. Describe the methodology used to determine the allowance for credit losses.

### **VIII. Monitoring and Revising the Plan**

- A. Describe how the board of directors will monitor adherence to the business plan.
- B. Describe how the board of directors will adjust and amend the plan to accommodate significant or material economic changes.

### **IX. Alternative Business Strategy**

An alternative business strategy details how an institution will operate under scenarios in which market conditions differ significantly from those projected in this business plan. This alternative business strategy should be realistic about the business risks and incorporate sound management

of such risks. This alternative strategy should consider potential adverse scenarios relating to the asset or liability mixes, interest rates, operating expenses, marketing costs, and growth rates. This discussion should include realistic plans for how the credit union would access additional capital, if needed, in the future and, if applicable, contingency funding plans that address strategies for managing potential liquidity fluctuations. This plan also should discuss any financial safeguards to offset unexpected costs and remain well capitalized. Periodically, the institution should update this section, especially as the institution becomes more complex and as industry conditions change.

## **X. Financial Projections**

A. Provide financial information for opening day pro forma and quarterly projections for the first three years of operations. Also provide annual totals for the Income Statement. The line items in the financial statements should be consistent with the Call Report so that projected items may be compared conveniently with actual performance. The financial statements should be presented in two ways: (1) showing the dollar amounts, and (2) as a percentage of total assets.

1) Describe in detail all of the assumptions used to prepare the projected statements, including the assumed interest rate scenario for each interest earning asset and interest costing liability over the term of the business plan. Also, present a thorough justification to support proposed capital, including any branch expansion and off-balance-sheet activities contemplated.

2) Provide the basis for the assumptions used for noninterest income and noninterest expense. Indicate the amount of lease expense, capital improvements, and furniture, fixtures, and equipment, including systems and equipment upgrades.

3) Describe the assumptions for the start-up costs, volumes, expected returns, and expected time frame to introduce each new product and service.

B. Discuss how the credit union used marketing studies or surveys to support the projected growth.

C. Discuss the level of marketing expenses necessary to achieve the projected market share for both loan and deposit products. Assumptions should be consistent with those experienced by other institutions in the target market. Explain any significant variances between the assumptions in the target market.

D. Provide a sensitivity analysis of the financial projections. A sensitivity analysis provides a realistic stress test of the major underlying assumptions used in the business plan and the resultant financial projections. For example, adjust the financials to reflect the effects of adverse changes in the interest rate environment, changes in the asset/liability mix, higher than expected operating expenses, marketing costs, and/or growth rates.