



# FINANCIAL INSTITUTIONS TODAY

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

March 2020

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## Guidance for Lending, Liquidity, Business Continuity Planning, and Regulatory Reporting

The Department of Banking and Finance (Department) is working cooperatively with federal banking agencies and other organizations to assist regulated institutions and their customers in managing the impact of the pandemic. The Department would like to re-emphasize the importance of four key areas where new guidance or best practices have been issued to assist financial institutions. Those areas consist of lending, liquidity, business continuity planning, and regulatory reporting.

### 1. Lending

#### Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus

The *Interagency Statement on Loan Modifications and Reporting by Financial Institutions Working with Customers Affected by the Coronavirus* encourages financial institutions to work constructively with borrowers impacted by the Coronavirus Disease 2019 (referred to as COVID-19) and provides additional information regarding loan modifications. The agencies encourage financial institutions to work with borrowers, will not criticize institutions for doing so in a safe and sound manner, and will not direct supervised institutions to automatically categorize loan modifications as troubled debt restructurings (TDRs). The joint statement also provides supervisory views on past due and nonaccrual regulatory reporting of loan modification programs. The statement reminds institutions that not all modifications of loan terms result in a TDR. A revised statement was also issued on April 7, 2020 to incorporate section 4013 of the Coronavirus Aid, Relief, and Economic Security Act.

The statement and a FAQ can be viewed at the following links:

[Interagency Statement \(Revised\)](#)

<https://www.fdic.gov/coronavirus/faq-fi.pdf>

### 2. Liquidity

#### Statement on Use of the Discount Window

The Department would like to dispel any perceived negative connotation from borrowing from the Federal Reserve and highlight the federal agencies stance encouraging institutions to use the “discount window” during the COVID-19 pandemic. Federal Reserve lending to depository institutions plays an important role in supporting the liquidity and stability of the banking system and the effective implementation of monetary policy. By providing ready access to a backup source of funding, the discount window helps depository institutions manage their liquidity risks efficiently and avoid actions that have negative consequences for their customers, such as withdrawing credit during times of market stress. The full statement on the discount window can be accessed [here](#).

The Department would also like to reiterate the importance of liquidity risk management during the COVID-19 pandemic. Cash flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal well-developed contingency funding plan (CFP) are the primary tools for measuring and managing liquidity risk. The Department would like financial institution management to identify and understand the potential operational impact of the following scenarios:

- Management should understand how cash flow will be negatively impacted by loan principal and interest repayments that will be altered through loan modification programs (payment deferrals, repayment extensions, and payment concessions) or potential loan default;
- The liquidity impact of unanticipated draws on unfunded borrowing lines of credit that businesses need for working capital;
- The liquidity impact of increased business loan demand as businesses need additional funds to operate during the COVID-19 pandemic;
- Management should understand the potential liquidity impact of excessive customer withdrawals from personal accounts;
- Management should review and confirm secondary funding sources and secure additional funding sources if necessary (allow for sufficient time to establish borrowing lines); and
- The above-mentioned scenarios should be stress tested to identify and quantify sources of potential liquidity strain and to analyze the possible impacts on the institution's cash flows, liquidity position, profitability, and solvency.

### 3. Business Continuity Planning Considerations

It is important to view financial institution business continuity from the enterprise perspective in order to ensure that interdependent operations and the personnel to carry them out are considered. The following questions should be considered as part of pandemic planning.

- **Have you identified your critical systems and processes?**
  - ◇ Critical systems and processes include, but are not limited to, core processing system, ATM processing and replenishment, ATM / POS limits (Can these be adjusted remotely?), online banking system, debit/credit card processing, Cash Letter>Returns, ACH processing/returns, and wire processing.
- **Do you have remote access for your critical systems and processes?**
  - ◇ Items to consider include, but are not limited to, virtual private network access (VPN) (Is the capacity adequate?), internet access (web-based software/applications), telephone system, secure remote desktop/laptop, and remote security.
  - ◇ Specifically, for remote security the following should be considered:
    - \* Are there security controls that need to be adjusted for expanded remote operations?
    - \* Should multi-factor authentication be used to minimize risks of remote operations?
    - \* Have you considered both off-site and off-line backup strategies?
    - \* Network segmentation policy – Can you control the access and movement of your data with employees working remotely?
    - \* Do you have an adequate Data Backup Policy?
- **Have you tested remote access of each critical system and process?**
  - ◇ Items to consider include, but are not limited to, multiple users accessing the system at one time; remote location internet capabilities (bandwidth, security, etc.); alternate remote location availability (internet bandwidth, security, etc.); and ability to connect to critical systems and processes from new remote IP addresses and alternative devices.

- **Do you have employees who are trained and cross-trained for all your critical systems and processes?**
  - ◇ Items to consider include, but are not limited to, primary and backup employees who work in the same area could become sick simultaneously; authority and authentication requirements and devices should be current and accessible; written processes and procedures should be current and accessible; remote access devices should have all necessary software and applications installed and updated; and training should be current.
- **Are you prepared to take other staff actions to maintain business continuity?**
  - ◇ Items to consider include, but are not limited to, implementation of staggered shifts; stress business continuity plans in the event that no employees are allowed in the financial institution; enforcement of regular cleaning of surfaces on a rigid schedule throughout the day – particularly at any shift changes; utilization of staff logs to screen for potential employee health; and adherence to local and state ordinances regarding social distancing and hygiene – for both employees and customers.
- **Other Important Considerations:**
  - ◇ What other business processes must function to perform these critical processes?
  - ◇ What is the minimum staff required to be able to serve customers during a business interruption?
  - ◇ What vendor services do you need to be able to perform these critical processes?
  - ◇ What systems/equipment do you need to perform these critical processes?
  - ◇ What software do you need to perform these critical processes?
  - ◇ What supplies do you need to perform these critical processes?
  - ◇ What instructions/manuals do you need to perform these critical processes?
  - ◇ Are there alternate ways to perform these critical processes in order to serve your customers?
  - ◇ Third-party service providers must adhere to the same security policies and protocols for the organization.

#### 4. Regulatory Reporting

##### 30-Day Grace Period for the Call Report for the First Quarter of 2020

On March 25, 2020, the FDIC, along with the other federal banking agencies that are members of the Federal Financial Institutions Examination Council (FFIEC), issued a press release recognizing that financial institutions may need additional time to submit certain regulatory reports in light of the adverse effects of COVID-19. Consistent with the FFIEC release, the FDIC will not take action against any institution for submitting its March 31, 2020 Call Report after the official filing deadline, provided the report is submitted within 30 days of the official filing deadline.

##### Joint Statement on the Interaction of Regulatory Capital Rule: Revised Transition of the CECL Methodology for Allowances with Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act

On March 31, 2020, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (together, the agencies) issued a joint statement that clarifies the interaction between the CECL Interim Final Rule and the CARES Act for purposes of regulatory capital requirements.

## ONGOING UPDATES

### Ongoing Updates

Regulatory actions, guidelines, and initiatives are being updated rapidly as we progress through the current pandemic. The Department continues to update relevant links to regulatory information on our website under the "Quick Links" tab under the "COVID-19 Bank and Credit Union Resources" link. We encourage you to check there often for the most current information available.

## DEPOSITORY FINANCIAL INSTITUTION ELECTRONIC DELIVERY REPLACING TRADITIONAL MAIL DELIVERY

### Depository Financial Institution Electronic Delivery Replacing Traditional Mail Delivery

On March 31, 2020, the Department communicated with banks and credit unions that in order to improve our service, the Department is implementing electronic document and payment submission for correspondence, applications, and requests, including any applicable fees. The full guidance can be found [here](#).

## ACTION ON APPLICATIONS FOR THE MONTH

The following is a summary of official action taken by the Department on applications by Georgia state-chartered financial institutions under Title 7, Chapter 1 of the O.C.G.A. and petitions for certificate of incorporation of financial institutions and other matters of interest during the month of March 2020:

### APPLICATIONS FOR DISSOLUTION

<u>FINANCIAL INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
The Citizens Bank Nashville, GA 31639	03-12-2020	

### APPLICATIONS FOR DE NOVO INSTITUTIONS

<u>FINANCIAL INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>BEGIN BUSINESS DATE</u>
Craft Bank Atlanta, GA	Pending	

### APPLICATIONS TO ESTABLISH A BRANCH OFFICE

<u>FINANCIAL INSTITUTION</u>	<u>BRANCH OFFICE</u>	<u>APPROVAL DATE</u>	<u>BEGIN BUSINESS DATE</u>
Security State Bank	45 West Oak Street McRae, GA 31055 Telfair County	03-09-2020	
Atlanta Postal Credit Union Atlanta	Trade Name: Parc Community Credit Union 5714 Ogeechee Road Savannah, GA 31405 Chatham County	03-18-2020	

**ACTION ON APPLICATIONS FOR THE MONTH CONTINUED****APPLICATIONS TO CHANGE LOCATION**

<b><u>FINANCIAL INSTITUTION</u></b>	<b><u>CHANGE LOCATION OF</u></b>	<b><u>APPROVAL DATE</u></b>	<b><u>BEGIN BUSINESS DATE</u></b>
Reliance Trust Company Atlanta	From: Main Office 1100 Abernathy Road Suite 400 Atlanta, GA 30328 Fulton County  To: 201 17th Street, NW Suite 1000 Atlanta, GA 30363 Fulton County	12-17-2019	03-20-2020

**APPLICATIONS FOR CREDIT UNION CONVERSION**

<b><u>FINANCIAL INSTITUTION</u></b>	<b><u>APPROVAL DATE</u></b>	<b><u>EFFECTIVE DATE</u></b>
Marshland Community Federal Credit Union Brunswick, GA 31520	Pending	

**APPLICATIONS FOR RESERVATION OF NAME**

<b><u>PROPOSED NAME</u></b>	<b><u>COUNTY</u></b>	<b><u>APPLICANT</u></b>
Classic City Bank	Clark	Ms. Brenna A. Sheffield Troutman Sanders LLP 600 Peachtree Street NE Suite 3000 Atlanta, GA 30308
Southern Trust Bank	Wilcox	Mr. Joseph P. Vitale Schulte Roth & Zabel LLP 919 Third Avenue New York, NY 10022

**FINANCIAL INSTITUTION MERGERS**

<b><u>FINANCIAL INSTITUTION (SURVIVOR)</u></b>	<b><u>MERGED INSTITUTION</u></b>	<b><u>APPROVAL DATE</u></b>	<b><u>EFFECTIVE DATE</u></b>
The First, NA Hattiesburg, MS	Southwest GA Bank Moultrie, GA	03-24-2020	
Pinnacle Bank Elberton, GA	Southern Bank & Trust Clarkesville, GA	01-30-2020	
HALLCO Community Credit Union Gainesville, GA	Habersham Federal Credit Union Clarkesville, GA	01-23-2020	
Georgia's Own Credit Union Atlanta, GA	Three Rivers Credit Union Bainbridge, GA	10-23-2019	

**ACTION ON APPLICATIONS FOR THE MONTH CONTINUED****APPLICATIONS TO ACQUIRE A FINANCIAL INSTITUTION**

<b><u>BANK HOLDING COMPANY</u></b>	<b><u>TO ACQUIRE</u></b>	<b><u>APPROVAL DATE</u></b>	<b><u>EFFECTIVE DATE</u></b>
Pinnacle Financial Corporation Elberton, GA	SBT Bancorp, Inc. Clarksville, GA	01-30-2020	
The First Bancshares, Inc. Hattiesburg, MS	Southwest GA Financial Corp. Moultrie, GA	03-24-2020	

The Department is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, state-chartered trust companies, international banking organizations, and bank holding companies that own Georgia state-chartered financial institutions. The Department also has responsibility for the supervision, regulation, and examination of Merchant Acquirer Limited Purpose Banks chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage brokers, lenders and processors, mortgage loan originators, check cashers, sellers-issuers of payment instruments, and money transmitters.

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

**Our Vision** is to be a willing and able partner with our regulated entities in order to support vibrant economic

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