# DBF GUIDANCE FOR GEORGIA STATE-CHARTERED BANKS, BANK HOLDING COMPANIES, CREDIT UNIONS, AND TRUST COMPANIES

TO: Supervision Staff

CC: Georgia State-Chartered Banks, Bank Holding Companies, Credit Unions, and Trust Companies

FROM: Kevin Vaughn
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SUBJECT: EXAMINATION FREQUENCY, PROCESSING, AND TURNAROUND GOALS

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## EXAMINATION FREQUENCY

Consistent with section 210 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (Economic Growth Act) and Section 903 of the 21st Century Road to Housing Act (the Housing Act), the Department has adopted an extended 18-month examination cycle to align with federal law and federal agency implementation for certain state-chartered banks. Furthermore, with the NCUA Board-policy changes in 2025, the 18-month examination cycle applies to certain state-chartered credit unions. The criteria for the 18-month examination cycle for state-chartered banks and state-chartered credit unions are as follows:

(1) A bank that has total assets of $6 billion or less;

(2) A credit union that has $3 billion or less;

(3) Is well capitalized according to the prompt corrective action statute in 12 USC 1831o, as implemented by Part 325 of the Federal Deposit Insurance Corporation (FDIC) Rules and Regulations, Regulation H of the Federal Reserve Board (FRB), and National Credit Union Administration 12 CFR 702;

(4) Is well managed as defined as a "1" or "2" management component rating at the most recent examination;

(5) Received a Composite Rating of "1" or "2" at its most recent examination;

(6) Is not subject to any formal or informal enforcement proceeding or order;

(7) Has not experienced a change in control during the previous 12-month period; and

(8) Is not subject to de novo status per federal guidelines.

Financial institutions that do not qualify for the criteria above will use a 12-month examination cycle. The examination cycle is calculated from the prior examination completion date; however, this period will be a maximum of 60 days from the start date of the prior examination.

This program is designed to lessen regulatory burden on those organizations whose risk profiles and risk management policies and procedures are acceptable to the Department. The Department reserves the right to notify management that their institution does not qualify for the expanded examination program based on safety and soundness concerns that the Department may have regarding an institution. Consideration for adjusting examination frequency is also given to staff resource planning and scheduling. This program also does not limit or restrict in anyway the authority of the Department to examine any state chartered financial institution as frequently as deemed necessary.

For state-chartered banks and holding companies, the Department will continue to coordinate its examination schedule with the FDIC and the FRB. Both have adopted similar examination frequency guidelines of 18 months for defined institutions. The Department will continue to accept Federal Reports of Examination (Report) on an alternate examination program; therefore, Department examinations may be extended up to 36 months due to the alternate examination program. The Department will coordinate with federal regulators when conducting regulatory examinations, when possible. Bank holding company (BHC) examinations will be conducted concurrently with the subsidiary bank or lead bank examination unless a separate BHC examination is scheduled. BHC examination cycles should align to the subsidiary bank or lead bank examination cycle.

For state-chartered credit unions, the Department can accept NCUA Reports; however, a formal alternating examination program has not been established with the NCUA. The Department will conduct on-site examinations for credit unions based on the examination frequency required for each credit union.

The Department has the authority and option to conduct additional on-site visitations between examinations, based on the condition of the institution or specialty areas. The Department has the option to conduct these visitations in conjunction with the primary federal regulator or by the Department only.

For institutions that operate under an ongoing examination program, an annual examination plan detailing target reviews and an annual rollup Report will be developed and will direct the examination activities of that financial institution.

Specialty examinations and target reviews of entities such as Credit Union Service Organizations (CUSOs) should be conducted on a 12- or 18-month examination cycle consistent with the examination frequency applied to a depository financial institution with equivalent ratings.

During the de novo period, newly opened banks and credit unions will be examined more frequently. A visitation will be conducted 30 days after opening with the Department as the lead agency. A full-scope examination will be conducted six months after opening where all applicable regulatory ratings will be assigned. A full-scope examination will then be conducted to coincide with the annual anniversary of opening for the entire de novo period. Full-scope examinations may be on alternating schedules with federal banking agencies.

## EXPEDITED REPORT OF EXAMINATION PROCESSING

The processing of Reports for well-capitalized, well-managed financial institutions without supervisory concerns may be streamlined for expedited review and includes financial institutions meeting the following criteria:

1) Financial institutions rated a Composite "1" or "2"; and
2) Financial institutions which meet the Department and Federal regulatory definition of "Well Capitalized"; and
3) Financial institutions which are not operating under a formal or informal corrective action program, including a Board Resolution, Memorandum of Understanding, Cease and Desist Order, Consent Order, or Written Agreement.

Financial institution Reports which meet the expedited definitions above will have the Report review completed by the district office without a separate review performed by the main office prior to sending the Report to the institution. This review should be completed by the District Director (DD), Supervisory Examiner (SE), or assigned Senior Financial Examiner (SFE). The review should be performed for Report content, consistency, presentation, and compliance with Department Policies and governing laws and regulations. Since the Report will be subject to only a cursory main office review after issuance, there needs to be an emphasis on quality control at the district office level to ensure that a professional work product is sent to financial institutions.

After review, the Report should be returned to the Examiner-In-Charge (EIC) for any corrections or revisions. The edits also may be made by the SE or DD, if necessary. The reviewer should draft a Transmittal Letter to be sent with the Report, addressing the areas of concern. If a Report response is necessary as determined through reviewer discretion, the Transmittal Letter may request a response to each area of concern outlined in the Report or may request a response to specified concerns only. The response should be requested to be returned within 30 days and sent to the attention of the assigned Supervisory Manager (SM) at the main office. However, the SE or DD has the option to not require an examination response. In this instance, the Transmittal Letter must explicitly state that no response is required. The Transmittal Letter should be issued

under the signature of the DD or SE and accompany the Report that is sent directly to the financial institution. The distribution of Reports to the appropriate federal agencies will continue to be the responsibility of the main office.

**Reviewer Discretion**

At any point during the review process, a reviewer may contact the main office to discuss the appropriateness of whether a Report should be processed at the field level. Due to unique circumstances or a specific situation, it may be determined that a comprehensive review at the main office is more appropriate for processing purposes.

**Specialty Examinations**

The main office will continue to process specialty examinations and target reviews such as stand-alone Trust, Information Technology, CUSOs, Third Party Service Providers, and International Agency Reports, as well as prepare the Transmittal Letters and issue the Reports to the financial institutions involved.

## FINANCIAL INSTITUTIONS WHICH DO NOT MEET EXPEDITED REVIEW STANDARDS

Reports of financial institutions that are rated a Composite "3" or worse, are under a Corrective Action Plan (CAP), are recommended to be placed under a CAP, or which otherwise do not meet the expedited review standards will be reviewed and processed in the main office. Additionally, target reviews and Reports of financial institutions that are part of an ongoing examination program are also processed for final review in the main office.

Report review will begin in the district office and be completed by the DD, or their designee. The review should be performed for Report content, consistency, presentation, and compliance with Department Policies and governing laws and regulations. All efforts should be made to return the Report to the EIC for any corrections or revisions; however, edits may also be made by the reviewer, if necessary. After full Report review, editing, and concurrence from the federal regulator field staff for joint examinations, the district office should then submit the Report to the assigned SM.

The SM is responsible for coordinating final review and edits from appropriate Department staff and federal agency, as appropriate. The SM will make initial edits and circulate the Report for further Department review aligning with required signature authorities as outlined in this Guidance. Submission to the federal regulator and incorporation of their edits and comments, as appropriate, will also be performed by the SM. The SM should also communicate material Report edits to the DD to ensure the Report content and intent remains accurate with the inclusion of edits.

The SM is also responsible for drafting the Transmittal Letter for review. The Transmittal Letter should contain an overview of the financial condition of the institution, describe components that

need improvement, and contain specific actions for management to affect correction. Specific items in the Transmittal Letter must mirror items presented in the "Matters Requiring Board Attention" subheading in the Report.

In the instance that a CAP will be issued, the SM should draft the appropriate action after discussion and concurrence with the DD, Director for Supervision (DS), and/or Deputy Commissioner for Supervision (DCS). In some cases, the Transmittal Letter will note that an enforcement action will be provided under separate cover later. The SM is responsible for coordinating participation from appropriate federal regulatory staff; that the federal regulatory staff concurs or does not concur with the implementation/termination of an enforcement action; and that the federal regulatory staff will participate, will not participate, or will acknowledge the resulting agreement. The same review process will be used to modify or rescind an existing CAP.

**Signature Authorities**

Transmittal Letters and Reports for institutions rated a Composite "5" are signed by the Commissioner, Senior Deputy Commissioner, or their designee. Transmittal Letters and Reports for institutions rated a Composite "4" or "3" are signed by a Deputy Commissioner, Senior Deputy Commissioner, the Commissioner, or their designee. Consent Orders are signed by the Commissioner or designee. Memorandums are signed by a Deputy Commissioner, or their designee. The final signature authority is dictated by the current Composite rating being assigned.

**Review of the Response to the Report**

It is the responsibility of the SM to review the response to the Report. The SM will respond to the institution in writing to acknowledge the Department's receipt of the Report response, noting overall adequacy of the response and detailing any areas that remain outstanding and require further action from the financial institution. The SM should copy the DD and EIC on Report response correspondence. If the district office receives the response to the Report, the response should be forwarded to the appropriate SM at the main office.

**TURNAROUND GOALS**

It is the policy of the Department that examinations of all financial institutions will be conducted as efficiently and quickly as practical given the circumstances, and that Reports will be written and processed expeditiously so that they are returned to the institutions within a reasonable period of time. The amount of time required depends upon many factors, including, but not limited to, the type of institution, its size, its financial condition, its complexity, the number of examiners assigned, examiner experience, and training activities. Management of the overall field examination and Report writing process is the responsibility of the DD. Management of a specific examination assignment up to the point of final field review is the responsibility of the EIC in consultation with the SE or DD.

To implement this policy, Report turnaround goals are being adopted as set forth below. These goals should be considered the maximum number of calendar days (includes weekends and

holidays) for the Report to be completed and sent to the institution. Performance in meeting these goals will be monitored. Exceptions to these goals will sometimes be justified and will be considered on a case by case basis. DDs should consult with the SM, DS, or DCS if it is determined processing goals will not be met. In order to obtain the data necessary to track examination and Report processing, all examination activity will be entered into ETK system.

Acceptable quality in the examination process and in the Report should not be sacrificed for the sake of rapid turnaround. Performing a quality examination, producing a quality Report, and getting the Report to the institution within the time limits set forth below are believed to be achievable in most cases if the examination is properly planned and managed.

**Definitions**

1. Examination Start Date—This is the date that the one or more examiners from the examination team enter an institution or begin remote activities to perform focused and primary examination work.
2. Exit Meeting with Management Date—This is the date that a meeting is held with the senior management team to discuss and review examination findings and proposed ratings. Directors are always invited to attend exit meetings, but in most cases a separate Board meeting will be held at a later date. Attendees from the Department and federal agency will vary depending on severity of findings; however, at a minimum, the EICs of the agency or agencies conducting the examination should be present.
3. Date Sent to Institution—This is the date that the final review and correction of the Report is completed and sent to the institution. Sending the Report should not be delayed for the purpose of holding a Board meeting.

**Bank and Bank Holding Company Reports**

Examinations conducted jointly with the FDIC and FRB should be sent to the bank and/or BHC within 90 days from the Examination Start Date. Examinations that do not qualify for expedited processing should have Reports submitted to the main office within 45 days from the Examination Start Date. Examinations conducted independently by the Department should have Reports sent within 30 days from the Exit Meeting with Management Date.

**Credit Union Reports**

All credit union Reports should be sent within 60 days from the Examination Start Date, and no later than 30 days from the Exit Meeting with Management Date. Reports that do not qualify for expedited processing should be submitted to the main office within 45 days from the Examination Start Date.

**Large Institution and Ongoing Examination Programs**

Annual examination work conducted in institutions that utilize an ongoing examination program will require an annual Report detailing ratings and findings from examination activities. The delivery date of the annual Report will be determined by the annual examination plan developed.

All target reviews conducted jointly with federal regulators will be in conformance with the annual examination plan. Target reviews conducted independently by the Department should be sent to the institution within 30 days of the Exit Meeting with Management Date.