



FINANCIAL INSTITUTIONS TODAY

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

November 2018

Inside this issue:

- Money Smart for Adults 2
- 2019 State Holiday Schedule 2
- Outreach & Speaking Engagements 2
- Action on Applications for the Month 3

Proposed Risk-Based Capital Rule Has One-Year Delay, Raises Asset Threshold for Complex Credit Unions

Ninety percent of federally insured credit unions would be exempt from the National Credit Union Administration (NCUA) risk-based capital rule, and covered credit unions would have an additional year to comply, under a proposed supplemental rule (Part 702) approved by the NCUA's Board.

"The proposed changes to the risk-based capital rule, reached through a collaborative and bipartisan process, if finalized, would allow the agency to provide federally insured credit unions with a measure of regulatory relief without impairing the safety and soundness of the National Credit Union Share Insurance Fund," NCUA Board Chairman J. Mark McWatters said.

The proposed rule would delay the current effective date of the risk-based capital rule for one year until January 1, 2020. More information can be found on the NCUA website at <https://www.ncua.gov/newsroom/Pages/news-2018-aug-proposed-risk-based-capital-rule-adds-one-year-delay.aspx>

Cross-Collateralization and The Military Lending Act

The Military Lending Act (MLA) establishes certain lending parameters for covered borrowers in the United States Armed Services. A covered borrower is a consumer who, at the time the consumer becomes obligated on a consumer credit transaction or establishes an account for consumer credit, is a covered member of the armed forces or a dependent of a covered member (as defined in 32 CFR 232.3(g)(2) and (g)(3)).

Many standard form loan documents used by the financial industry contain cross-collateralize clauses that typically permit a security interest in deposits maintained at the financial institution. 32 CFR 232.8(e) provides that it is unlawful for any creditor to extend consumer credit to a covered borrower with respect to which "The creditor uses a check or other method of access to a deposit, savings, or other financial account maintained by the covered borrower," except that the creditor may, among other items, "take a security interest in funds deposited after the extension of credit in an account established in connection with the loan."

Further, the MLA applies to most open-end and closed-end loans subject to Regulation Z. 32 CFR 232.9(c) provides that any credit agreement, promissory note, or other contract with a covered borrower that fails to comply with or which contains one or more provisions prohibited under 10 U.S.C. 987 is void from the inception of the contract. Thus, it is possible a covered borrower could take the position that a loan agreement between a financial institution and a covered borrower that contains only the standard cross-collateralization language and language regarding statutory liens is void. Finally, additional loan documents (i.e. security agreement) may be necessary to protect financial institutions' security interests and applicable right-to-offset provisions.

The Department encourages financial institutions to review policies and procedures that cover the MLA. In addition, management should review any loan document form that the institution would use in debt transactions with a covered borrower to ensure compliance with current regulations and to protect against potential losses.

FDIC Releases 2018 Version of Money Smart for Adults

On November 14, 2018, the Federal Deposit Insurance Corporation (FDIC) released the 2018 version of its popular instructor-led Money Smart for Adults financial education curriculum. Instructors can use the fully scripted materials with minimal preparation to deliver unbiased, relevant, and accurate financial education.

"The FDIC's Money Smart for Adults helps people gain the knowledge, confidence, and skills to use banks more effectively and manage their finances. And it gives banks a valuable tool to build deeper relationships with their customers," said FDIC Chairman Jelena McWilliams.

Features of the 2018 version of Money Smart for Adults include:

- Fourteen modules that cover basic financial topics and include vibrant graphics and exercises;
- Expanded content on topics such as mobile banking, reading a pay statement, renting an apartment, and creative ways to save money, as well as updated information on standard topics such as credit reports and scores;
- Activities that allow participants to practice what they have learned during training, and apply it to their own lives;
- A "Take Action" section that encourages participants to identify at least one thing they plan to do because of what they learned during the training;
- An updated *Guide to Presenting Money Smart for Adults* that guides instructors on how to use the Money Smart material effectively, along with supplemental tools and tips for supporting participants with disabilities; and
- An updated *Scenarios for Financial Inclusion* supplement featuring individuals with disabilities considering various financial decisions.

To learn more about the FDIC's Money Smart program and to download the materials or order a DVD with the new curriculum, visit the Money Smart page on the FDIC's website at www.fdic.gov/moneysmart.

2019 State Holiday Schedule

Pursuant to O.C.G.A. § 1-4-1, the following is the list of state holidays when the Capitol and state agencies will be closed in 2019:

New Year's Day	Tuesday, January 1
State Holiday	January 19 - <i>will be observed on Friday, November 29</i>
Martin Luther King, Jr.'s Birthday	Monday, January 21
Washington's Birthday	February 18 - <i>will be observed on Tuesday, December 24</i>
State Holiday	April 26 - <i>will be observed on Monday, April 22</i>
Memorial Day	Monday, May 27
Independence Day	Thursday, July 4
Labor Day	Monday, September 2
Columbus Day	Monday, October 14
Veterans Day	Monday, November 11
Thanksgiving Day	Thursday, November 28
Christmas Day	Wednesday, December 25

Department Outreach and Upcoming Speaking Engagements

- **Corporate Counsel Institute** – Commissioner Kevin Hagler will be speaking at the Corporate Counsel Institute, sponsored by the State Bar of Georgia Institute of Continuing Legal Education and Corporate Counsel Law Section, on December 13, 2018, at the Renaissance Atlanta Waverly Hotel & Convention Center, Atlanta, Georgia.
- **GBA Legislative Reception & Legislative/Economic Forum** – Commissioner Kevin Hagler will be speaking at the Georgia Bankers Association Legislative Reception & Legislative/Economic Forum on January 16, 2019, at the Hyatt Regency Atlanta Downtown, Atlanta, Georgia.
- **GCUA 2019 Grassroots Academy** – Commissioner Kevin Hagler will be speaking at the Georgia Credit Union Affiliates 2019 Grassroots Academy on January 29, 2019, at the James H. Sloppy Floyd Building, Atlanta, Georgia.

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 November 2018:

APPLICATIONS FOR DISSOLUTION

<u>FINANCIAL INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
Southern Bank Sardis, GA 30456-0100	Pending	

APPLICATIONS TO ESTABLISH A BRANCH OFFICE

<u>FINANCIAL INSTITUTION</u>	<u>BRANCH OFFICE</u>	<u>APPROVAL DATE</u>	<u>BEGIN BUSINESS DATE</u>
First IC Bank Doraville	Bayside 204-08 Northern Boulevard Bayside, NY 11361 Queens County	02-09-2018	10-30-2018
First IC Bank Doraville	Palisades Park 211 Broad Avenue Palisades Park, NJ 07650 Bergen County	11-14-2018	
Metro City Bank Doraville	Tampa 6202 Commerce Palms Drive Tampa, FL 33647 Hillsborough County	11-19-2018	
NOA Bank Duluth	Chamblee 5038 Buford Highway, Suite B Chamblee, GA 30341 DeKalb County	02-20-2018	11-14-2018
Citizens Bank & Trust Company Eastman	Richmond Hill NW Corner Highway 144/Ford Avenue & Towne Centre Richmond Hill, GA 31324 Bryan County	11-13-2018	
LGE Community Credit Union Marietta	Avalon Crossing 2855 Old Milton Parkway Alpharetta, GA 30004 Fulton County	11-29-2018	

FINANCIAL INSTITUTION MERGERS

<u>FINANCIAL INSTITUTION (SURVIVOR)</u>	<u>MERGED INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
Bank of Early Blakely, GA	One South Bank Chipley, FL	Pending	

The Department is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, state-chartered trust companies, 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, money transmitters, and international banking organizations.

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 growth and prosperity in Georgia.

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