



# Indiana Department of Financial Institutions

## DeNovo Financial Institution Application Guide



## Packet Outline

- Application Steps
- Pre-Application Process
- Items to Consider / Provide with the Application Process
  - Business Plan
  - Corporate Governance Structure
  - Corporate Structure & Capital Stack
  - Key Operating Platforms & Vendors
  - Fees
- Applications to Submit
- Application Review/Approval Process
- Post Approval



# Application Steps







## Pre-Application Process

- **Hold initial discussions with the state and federal regulators regarding the intention to form a financial institution and to obtain initial information on regulatory standards, challenges, and opportunities**
- **Analyze and discuss the statutory requirements established for formation in 28-11-5**
- **Become familiar with the Indiana specific financial institution laws outlined in Indiana Code Title 28 & become familiar with DFI Policy statements listed on the DFI website ([www.in.gov/dfi](http://www.in.gov/dfi))**
- **Identify key individuals to serve on the senior management team and the directorate**
- **Prepare a draft business plan and financial projections**
- **Identify consultant partners for legal and accounting services**
- **Choose a federal regulatory and insurance partner**
- **Share a Draft DeNovo Application with the DFI for review and discussion**



- Business Plan & Financials
- Corporate Governance Structure
- Corporate Structure & Capital Stack
- Key Operating Platforms & Vendors
- Fees

Application Submission  
Documents & Items to  
Consider



# BUSINESS PLAN AND PROJECTION CONSIDERATIONS

## BUSINESS PLAN

- A. Market analysis / Feasibility study**
- B. Competitive analysis**
  - 1. Geographic area
  - 2. Economic environment
- C. Marketing plan and target customer market / Field of Membership (Credit Union)**
- D. Primary product lines, including electronic banking delivery methods and services, and trust services**
- E. Financial Projections**
- F. Description of Premises and Fixed Assets**
  - 1. Describe main office and details of purchase/lease of land, building and furniture, fixtures, and equipment
  - 2. Describe branches and details of purchase/lease of land, building and furniture, fixtures, and equipment
  - 3. Physical security programs
  - 4. Hours of operation

VS

## 5-YEAR FINANCIAL PROJECTIONS

- A. Projected Balance Sheet, including primary and sub-category products (i.e automobile loans, HELOCs, first mortgages, etc.)**
- B. Projected Income Statement**
- C. Projected Regulatory Capital Schedules**

\*Please provide sufficient detail in key categories, including explanation of assumptions



# CORPORATE GOVERNANCE

## PEOPLE

- A. Listing of proposed senior management members and their resumes/qualifications**
- B. Listing of proposed financial institution directors and their resumes/qualifications**
- C. Listing of principal shareholders**
- D. Projected board committees and possible committee membership**
- E. Listing of any interlocking relationships impacting the proposed senior management, principal shareholders, or directors.**

VS

## DRAFT POLICIES

- A. Capital Policy
- B. Loan Policy
- C. Investment Policy
- D. Liquidity / Funds Management Policies
- E. Interest Rate Risk Policy
- F. Corporate Governance Policy
- G. Insider Transactions and Conflicts of Interest Policies
- H. IT/Cybersecurity Policies
- I. BSA / AML Policy
- J. Relevant Trust Policies



# CORPORATE STRUCTURE & CAPITAL STACK

## CORPORATE STRUCTURE

- A. Will the institution be a Corporation, LLC, or S Corp?**
- B. Who will be the primary federal regulator and insurer?**
- C. Will there be a holding company?**
- D. Will there be any financial institution and/or holding company subsidiaries at formation?**
- E. Listing of proposed investors**
- F. Articles of Incorporation**
- G. Fidelity coverage and/or Trust Errors and Omissions policies**
- H. Proposed Name** — By federal law, State-chartered financial institutions cannot have “National or NA” in their name

VS

## CAPITAL STACK DESCRIPTION

- A. Public or private stock offering/sale of stock?**
- B. Listing of classes of stock**
- C. Number of authorized shares**
- D. Number of shares to be issued**
- E. Par value of shares issued**
- F. Outline of voting rights**
- G. Projected sales price per share**
- H. Description of adequacy of proposed capital relative to internal and external risks and payment of organizational expenses**
- I. Dividend distribution plans (likely limited in at least the first 3 to 5 years by the regulators)**





## Platforms and Vendors

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- A. Listing of core service providers, information technology posture (i.e serviced or in-house) and proposed data security programs
- B. Proposed listing of key vendors and a proposed vendor management program
- C. Description of the deposit taking, investment accounting, and loan accounting platforms
- D. Listing of proposed accounting, legal, and brokerage firms





# Application & On-Going Fee Assessments

## A. Application

- A. \$4,000 at the time of application submission
- B. \$4,000 upon charter approval
- C. Additional application review expenses charged at \$80 per hour for all personnel involved in processing, analyzing, or investigating the application

## B. Annual Fee Assessment

- A. Asset based fee assessed in July based off previous year-end total assets
- B. Annual consumer loan volume fee assessed in November of each year
- C. DFI fee schedules are updated every July and can be accessed at the link below

<https://www.in.gov/dfi/general-information/policies-and-guidance/>



- State Charter Application
- Insurance Application
- Holding Company Application

Applications to  
Submit





## Applications / Filings Required for DeNovo Chartering

- **Indiana Department of Financial Institutions Articles / Applications**

- Application to Organize a Financial Institution (application varies based on entity type)
- Confidential Financial and Biographical Report
- Articles of Incorporation
- Certificate of Payment of Capital Stock (Prior to commencing business)

[\(https://www.in.gov/dfi/licensing-and-applications/depository-applications/\)](https://www.in.gov/dfi/licensing-and-applications/depository-applications/)

- **Federal Deposit Insurance Corporation Application (Bank)**
- **National Credit Union Association Application (Credit Union)**
- **American Share Insurance Application (Privately-Insured Credit Union)**
- **Federal Reserve Bank Holding Company Application (if necessary)**



- Application Acceptance
- Application Processing
- Members Approval

## Application Review / Approval Process





## Working the Application

- **The Department has 20 business days (IC 28-11-5-3) to accept for processing, return the application due to incomplete information, or ask for additional information once the formal application has been received**
- **Once the application has been accepted for processing the Department has 120 calendar days (IC 28-11-5-8) to bring the application to the Department's Members Board for consideration. During the 120-day period the Department will:**
  - Review the responses provided in the DFI and federal applications
  - Meet with the proposed senior management members, directors, and principal shareholders
  - Assess the business plan, financial projections, corporate governance structure, management capabilities, and the capital run-rate of the proposed institution
  - Assess the applications compliance with the parameters established in Indiana Code 28-11-5
  - Correspond and work with the federal regulators through the application process
  - If staff believes the requirements of the above statute have been met the application will be presented to the DFI Members Board for their consideration at a public meeting
- **Department Members Approval (IC 28-11-5-4)**
  - **If the DFI Members Board approves the formation, the entity is allowed to begin operating once:**
    - The appropriate federal regulators and insurers have approved the application
    - A certificate of insurance has been issued
    - A completion of capital certificate is obtained and submitted to the Department
    - The Articles of Incorporation have been filed with the Indiana Secretary of State
  - The Department will issue an approval letter that lays out the conditions for approval



- Examination Schedule
- DeNovo Period Expectations

Post Approval



# Examinations

- **Visit from the DFI and the primary federal regulator/insurer within 1 week from official opening**
- **Formal 6-month and 1-year joint examination with the DFI and federal regulator/insurer**
- **Annual examination for the first three years of the denovo period**
- **After the 3-year denovo period the examination frequency will transition to the normal frequency based on asset size and CAMELS rating condition.**







## Common Expectations During the DeNovo Period

1. Provide the regulatory agencies monthly financial statements for at least the 1<sup>st</sup> year after opening
2. Requirement that all significant deviations from business plan are approved by the regulatory agencies
3. Requirement that all significant deviations from projections are approved by the regulatory agencies
4. Regulatory approval prior issuance of any kind of stock (preferred or common)
5. Dividends are not paid unless approval received from regulatory agencies
6. Approval of Director of Department to add or replace any officer or director of the financial institution
7. Requirement for an annual Certified audit to be performed
8. Satisfactory compliance with all approval letter conditions





- FDIC DeNovo Institutions Handbook

<https://www.fdic.gov/regulations/applications/depositinsurance/handbook.pdf>

- NCUA Chartering & Field of Membership Manual

<https://www.ncua.gov/support-services/credit-union-resources-expansion/chartering/chartering-field-membership-manual>

## Additional Resources





## Contact us



Depository  
Applications



**Email**  
BankApplications  
@dfi.in.gov



**Phone**  
317-453-2540