

June 18, 2024

MEMORANDUM TO: The Board of Directors

FROM: Travis Hill, Vice Chairman

SUBJECT: Board Briefings on Certain Merger and Deposit Insurance Applications Outstanding for More Than 270 Days

I. SUMMARY:

Vice Chairman Hill presents for adoption by the Board of Directors (the “Board”) of the Federal Deposit Insurance Corporation (the “FDIC”) a resolution that would require full Board briefings on merger and deposit insurance applications (each, a “Covered Application”) that have been outstanding for more than 270 days. Under the resolution, once a Covered Application becomes pending for more than 270 days from the date of receipt, a staff briefing on the Covered Application would be automatically placed on the agenda at the next regular Board meeting. In addition, subsequent staff briefings on the Covered Application would be automatically placed on the agenda at subsequent Board meetings every three months until a final decision is made.

II. DISCUSSION:

On December 6, 2018, the FDIC published Financial Institution Letter (FIL) 81-2018,¹ which set forth specific target timeframes for processing various applications, including certain Covered Applications. The FDIC has stated that these timeframes “generally establish the outer limits of what is considered reasonable to review and process substantially complete filings.”²

¹ See FIL-81-2018, *FDIC Re-Issues its Processing Timeframe Guidelines for Applications, Notices, and Other Requests* (Dec. 6, 2018).

² *Application Procedures Manual*, Section 1.1 (last updated Mar. 2024), available at <https://www.fdic.gov/regulations/applications/resources/apps-proc-manual/section-01-01-overview.pdf>. The FDIC

With respect to deposit insurance applications, the FDIC generally expects to consider most applications within 120 days of such applications being accepted as substantially complete.³

With respect to merger applications, the FDIC generally expects to consider most applications within 60 days of such applications being accepted as substantially complete.⁴

Notwithstanding these expectations, the FDIC has regularly exceeded its target timeframes, allowing Covered Applications, including from relatively small banks, to remain pending for many months – and in some cases, years. This resolution is intended to (1) ensure the full Board is engaged regarding Covered Applications that have taken much longer than the FDIC’s target timeframes and (2) encourage faster processing of Covered Applications from the outset.

The resolution would require staff to brief the full Board on each Covered Application once it has been outstanding for more than 270 days,⁵ and to provide quarterly follow-up briefings as long as the Covered Application remains pending. The resolution would not require the initial briefing on such Covered Applications until the first regular Board meeting that occurs 90 days after adoption of the resolution, to provide time to act on such Covered Applications

also noted that applications presenting “legal or policy issues, unusual circumstances, or CRA protests may be delayed in processing beyond these timeframes.” *Id.*

³ See *Deposit Insurance Applications: Procedures Manual* 13 (Dec. 2019), available at <https://www.fdic.gov/regulations/applications/depositinsurance/procmanual.pdf>. This target timeframe applies to filings processed by Regional Offices under delegated authority, which comprise 95 percent of all filings submitted to the FDIC. See FIL-81-2018. Applications for “non-traditional banks” and “non-community banks” are expected to take longer than the typical 120 days due to their unique characteristics. See *Deposit Insurance Applications: Procedures Manual*, at 8.

⁴ See *Application Procedures Manual*, Section 4 (last updated June 2019), available at <https://www.fdic.gov/regulations/applications/resources/apps-proc-manual/section-04-mergers.pdf>. This target timeframe applies to filings processed by Regional Offices under delegated authority. See FIL-81-2018.

⁵ While the FDIC’s target timeframes are based off when an application is accepted as complete and cover only applications eligible for decision by Regional Offices under delegated authority, the Board Resolution would base the briefings off when an application is received and would include all Covered Applications. 270 days is a much longer period than those of the target timeframes (more than double the number of days that the FDIC generally expects to process most deposit insurance applications and more than four times the number of days that the FDIC generally expects to process most merger applications), and in any case in which there is a lengthy delay between receipt and acceptance, it would be worthwhile for that to be described and explained to the Board.

before the briefing requirement is triggered.⁶ The resolution would generally require each briefing of the Board to include a description and analysis of the contents of the Covered Application and the resulting institution; a detailed timeline describing the steps the FDIC has taken to process and consider the Covered Application; and a detailed description of the remaining steps that need to be taken to reach a final decision, accompanied by expected timeframes.

Accordingly, in order to provide transparency to the Board, ensure that the Board remains fully informed about and engaged in the process for certain Covered Applications, and encourage faster processing of Covered Applications, Vice Chairman Hill recommends the Board take action to:

- (1) require that staff brief the full Board in closed session at the next regular Board meeting on the status of each Covered Application that becomes pending for more than 270 days from the date of receipt (“Initial Board Briefing”);
- (2) require that staff provide quarterly follow-up briefings following an Initial Board Briefing; and
- (3) require that such briefings to the Board include, at minimum, among other things, a timeline of steps that have been taken and expected timeframes for steps that still need to be taken.

⁶ Similarly, any Covered Application that has been outstanding for between 180 and 270 days on the date of adoption of the resolution will have 90 days from such date before the first Board briefing is required.