

FDIC Announces Initiatives to Streamline De Novo Application Process

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On December 6, 2018, as an outgrowth of its continuing efforts to encourage de novo bank applications, the Federal Deposit Insurance Corporation (FDIC) announced important new initiatives designed to promote a more transparent, streamlined, and accountable de novo deposit insurance application process. In the announcement, FDIC Chairman Jelena McWilliams stated that “a pipeline of new banks is critical to the long-term health of the industry and communities across the country. The application process should not be overly burdensome and should not deter prospective banks from applying. The FDIC wants to see more de novo banks, and we are hard at work to make this a reality.”

The FDIC’s new initiatives include the following:

1. The issuance of a request for information (RFI) seeking comments on all aspects of the deposit insurance application process, including

- any specific aspects or components of the application process that may discourage potential applicants from initiating or completing the process;
- possible modifications to the application process for community banks;
- whether and how the FDIC should support the continuing evolution of emerging technology and fintech companies;
- whether there are any legal, regulatory, technological, or other factors separate from the application process that discourage potential applicants from submitting applications for deposit insurance; and
- other suggestions for improving the effectiveness, efficiency, or transparency of the application process.

Comments on the RFI are due 60 days from the date of *Federal Register* publication.

2. The issuance of a financial institution letter (FIL) establishing a new review process that gives de novo bank organizers the option of filing a *draft* deposit insurance application for review before filing a final application. The new process is intended to allow the FDIC to identify possible issues and

provide feedback to organizers so they can fine-tune their proposal before filing the formal application.

The establishment by the FDIC of a review procedure for filing a draft deposit insurance application is, in our opinion, a significant change in the process and an important step that we anticipate most, if not all, *de novo* organizing groups will choose to utilize. Although the costs of preparing the business plan and other required elements of the draft filing are substantial, the ability to have the FDIC review a draft deposit insurance application, which is not publicly announced, may significantly reduce the amount that an organizing group needs to spend in order to determine whether its proposal is viable.

In the FIL, the FDIC provided a time frame within which it will respond to draft applications. The agency stated that it expects to provide an update to an organizing group submitting a draft application within 30 days and to complete its review and communicate overall feedback within 60 days after receipt of a draft application. In our view, the placing of parameters for the review of a draft application is also a significant step, as it lends some sense of certainty to the timing of the process, the lack of which has been an all-too-frequent complaint of *de novo* bank organizing groups.

The FDIC's FIL regarding the review process for draft *de novo* applications can be found at [\[https://www.fdic.gov/news/news/financial/2018/fil18082.pdf\]](https://www.fdic.gov/news/news/financial/2018/fil18082.pdf).

In addition to the announcement of the above initiatives, the FDIC released updated versions of its *de novo* handbook [\[https://www.fdic.gov/regulations/applications/handbook.pdf\]](https://www.fdic.gov/regulations/applications/handbook.pdf) and its deposit insurance application procedures manual [\[https://www.fdic.gov/regulations/applications/handbook.pdf\]](https://www.fdic.gov/regulations/applications/handbook.pdf). In its revised handbook and manual, the FDIC has attempted to provide greater transparency and clarity about the deposit insurance application process and its review procedures.

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