

Frequently Asked Questions

Consent Order dated 04-29-2009

What is a Consent Order?

A bilateral document voluntarily signed by the board of directors and the OCC. Its provisions are set out in an article-by-article form to prescribe necessary corrective action.

Is a Consent Order the same as a Cease and Desist Order?

The titles of agreements and orders have varied among the regulatory agencies. Even more important is that the requirements vary from bank to bank. (Many in the banking community have termed our agreement as “Consent Order Lite”.) Just know that the OCC can impose a cease and desist order on an involuntary basis. Our Consent Order was negotiable and was voluntarily signed by the board of directors and the OCC.

What does our Consent Order mean?

The bank has entered into a formal agreement with its regulator to take the actions detailed previously in the bank’s Strategic Plan. Periodic, written, progress reports are required.

We are confident that we can meet all of the requirements. The only item that was of heightened concern was that the bank’s capital level be increased to 12% of risk based assets. We had a successful stock offering in 2009 and the level as of December 31, 2009 was 12.45%.

How does the OCC decide to put a bank under a Consent Order?

In our bank’s case, the high level (concentration) of loans related to the residential construction industry was the main concern. If the market does not improve, our bank, like others, could have losses that would lower our capital level. Hence, the regulators want a greater cushion to absorb those losses.

Are we the only bank under an order from the regulators?

It is estimated that over half of the banks in Georgia are under regulatory oversight agreements from federal and state industry overseers.

What will happen to our clients’ loans/accounts?

There will be no changes.

Remember: Deposit and retirement accounts continue to be insured for a minimum of \$250,000 per depositor by the FDIC through December 2013. Because Cherokee Bank is participating in the FDIC’s Transaction Account Guarantee Program, checking accounts are insured without limit.

When will the Consent Order be lifted?

It is likely that the Consent Order will remain in place for a minimum of two years.

We thought our bank was in better condition than most. Why did we receive a Consent Order?

All banks in Metropolitan Atlanta that have been open for more than two years are experiencing problems – large and small. Some have bigger problems than others. Our bank is in better condition than most.

Remember also that banks are in trouble because their clients are in trouble. Most of those clients were involved in residential real estate and development. Our bank does not have as high of a concentration in that segment as other banks.

DWB

05/03/2010