

OCC Grants Conditional National Bank Charter to a Mobile-Only Bank

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The Office of the Comptroller of the Currency (**OCC**) has granted conditional approval to digital-banking startup Varo Bank (previously Varo Money) of its application to form a *de novo* national bank. Varo Bank, N.A. would become the first mobile-only national bank in United States. This is an interesting development in several respects:

- Varo Money began as a fintech startup providing mobile banking products and online lending in partnership with banks. Varo did not, however, pursue an [OCC fintech charter](#); instead, Varo sought a national bank charter, which affords it some advantages. Perhaps most significantly, Varo Bank, N.A. could accept deposits in addition to paying checks and making loans. The OCC fintech charter does not authorize deposit-taking. In addition, given the newness of and controversy surrounding the fintech charter, Varo may avoid being caught in what is likely to be a continuation of legal actions by state banking regulators challenging OCC's fintech charter regime.
- Under a national bank charter, Varo Bank could directly engage in its online lending activities without giving rise to the types of legal uncertainties raised by *Madden v. Midland Funding, LLC* and true lender developments, as discussed in our previous blog [post](#) and [white paper](#).
- U.S. federal banking regulators have granted very few *de novo* bank charters since the financial crisis. We believe that the conditional approval for Varo Bank is a positive indication of the OCC's new willingness to consider bank charter applications, including from less traditional applicants such as digital banks and fintechs.

The OCC's approval is conditioned upon Varo Bank raising \$104 million in initial capital within 12 months and the completion of a Community Reinvestment Act plan.

Additionally, Varo Bank will need approval from the FDIC and to obtain Federal Reserve membership.

We will be monitoring developments in this area closely, given its importance for new and existing fintech firms, banks, and others who may be considering approaches to banking or fintech licenses.