

# Federal Reserve Bank of Boston BANK NOTES

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**Note:** The April issue of *Bank Notes* is available online, [www.bostonfed.org/economic/banknote/index.htm](http://www.bostonfed.org/economic/banknote/index.htm).

## Mergers and Acquisitions

### Berkshire Hills/Rome Bancorp

Apr 01, Pittsfield, Mass.-based Berkshire Hills Bancorp Inc. (\$2.88 billion) has completed the acquisition of Rome, N.Y.-based Rome Bancorp Inc. (\$327.2 million) and its unit Rome Savings Bank. Under the terms of the merger agreement, 70% of the outstanding shares of Rome Bancorp common stock were exchanged for shares of Berkshire Hills common stock, and 30% of outstanding Rome common shares were exchanged for cash. (SNL B&T Weekly 4/4/11)

### Hometown Bank/Athol-Clinton Cooperative

Apr 04, The merger of Athol, Mass.-based Athol-Clinton Cooperative Bank (\$85.4 million) into Webster, Mass.-based Hometown Bank, A Cooperative Bank (\$221.8 million) was completed April 1, according to a news release issued the same day. The conversion of Athol-Clinton's Athol and South Lancaster, Mass. branches will start immediately. (SNL B&T Weekly 4/11/11)

### Brookline Bancorp/Bancorp Rhode Island

Apr 20, Brookline, Mass.-based Brookline Bancorp Inc. (\$3.06 billion) said that it will acquire Providence, R.I.-based Bancorp Rhode Island Inc. (\$1.60 billion) for about \$234 million in cash and stock. Under the terms of the company's definitive merger agreement, Bancorp Rhode Island stockholders may receive \$48.25 in cash or 4.686 common shares of Brookline, or a combination thereof, for each Bancorp Rhode Island share they hold. Elections will be subject to allocations intended to ensure that about 50% of Bancorp Rhode Island common shares will convert into Brookline common stock, and the receipt of the Brookline shares is expected to be tax-free.

The total cash consideration will be about \$121 million, and the total stock consideration will be about \$11.0 million of Brookline common shares. The combined company will have 43 branches in Massachusetts and Rhode Island, with \$4.7 billion in assets and \$3.2 billion in deposits, according to a news release from Brookline. (SNL B&T Weekly 4/25/11)

## Federal Reserve Announcements

### Request for Comment: Supervision of S&L Holding Companies

Apr 15, The Federal Reserve Board is seeking comment on a notice that outlines how it intends to apply certain parts of its current consolidated supervisory program for bank holding companies to savings and loan holding companies (SLHCs) after assuming supervisory responsibility for SLHCs. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, supervisory and rule-writing authority for SLHCs and their non-depository subsidiaries will transfer from the Office of Thrift Supervision (OTS) to the Board on July 21, 2011.

The notice identifies three elements of the Board's current supervisory program that are particularly critical to the effective evaluation of the consolidated condition of holding companies:

- the consolidated supervision program for large and regional holding companies;
- the supervisory program for small, noncomplex holding companies; and
- the holding company rating system.

The notice discusses the Board's expectation that application of consolidated capital requirements to

SLHCs will be addressed in the Basel III rulemaking process. The notice also states that the Board anticipates that it will assess SLHC capital using supervisory methods similar to those currently employed by the OTS until consolidated capital standards are finalized.

The Board requests comments on the notice, which will be published in the *Federal Register*, by May 23, 2011.

### **For Mortgages, Proposed Rule on Determining a Consumer's Ability to Pay**

Apr 19, The Federal Reserve Board requested public comment on a proposed rule under Regulation Z that would require creditors to determine a consumer's ability to repay a mortgage before making the loan and would establish minimum mortgage underwriting standards.

The revisions to the regulation, which implements the Truth in Lending Act (TILA), are being made pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act. The proposal would apply to all consumer mortgages (except home equity lines of credit, timeshare plans, reverse mortgages, or temporary loans).

Consistent with the act, the proposal would provide four options for complying with the ability-to-repay requirement.

- First, a creditor can meet the general ability-to-repay standard by considering and verifying

specified underwriting factors, such as the consumer's income or assets.

- Second, a creditor can make a "qualified mortgage," which provides the creditor with special protection from liability provided the loan does not have certain features, such as negative amortization; the fees are within specified limits; and the creditor underwrites the mortgage payment using the maximum interest rate in the first five years. The Board is soliciting comment on two alternative approaches for defining a "qualified mortgage."
- Third, a creditor operating predominantly in rural or underserved areas can make a balloon-payment qualified mortgage. This option is meant to preserve access to credit for consumers located in rural or underserved areas where banks originate balloon loans to hedge against interest rate risk for loans held in portfolio.
- Finally, a creditor can refinance a "non-standard mortgage" with risky features into a more stable "standard mortgage" with a lower monthly payment. This option is meant to preserve access to streamlined refinancings.

The proposal would also implement the Dodd-Frank Act's limits on prepayment penalties.

The Board is soliciting comment on the proposed rule until July 22, 2011. General rulemaking authority for TILA is scheduled to transfer to the Consumer Financial Protection Bureau on July 21, 2011. Accordingly, this rulemaking will not be finalized by the Board.

**About Bank Notes:** Items in this publication focus on developments affecting banking structure in New England. The items are condensations of articles from a selected group of daily newspapers and press releases of federal and state financial regulatory agencies. Their reproduction does not imply our endorsement of the accuracy, opinions or policies reflected in the subject matter. **Bank Notes** is available without charge. To subscribe, please use our [online subscription form](#). If unable to do so, please call 1-877-973-6535.