

Federal Reserve Bank of Boston BANK NOTES

• Edited by Jason Wild •

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Sovereign to Acquire Seacoast

On January 26, 2004, Sovereign Bancorp, Wyomissing, PA, announced it has reached a definitive agreement to acquire Seacoast Financial Services Corporation, New Bedford, MA, in an all stock deal valued at \$1.1 billion. Seacoast is the parent company of Compass Bank for Savings, New Bedford, MA, and Nantucket Bank, Nantucket, MA. In addition, the two companies are in the process of completing other acquisitions. Seacoast is acquiring Abington Bancorp, Weymouth, MA, and Sovereign is close to finalizing its purchase of First Essex Bancorp, Lawrence, MA.

With this deal, Sovereign would earn a top-four market share in each of the five fastest growing and five largest counties in Massachusetts, including the Boston metro market. In all, Sovereign would add 67 new branch offices to its existing network of 177 offices throughout Massachusetts. Compass Bank operates 47 branches in the southeastern part of the state, Nantucket Bank has three branches on Nantucket Island, and Abington Bancorp has a network of 17 branches that stretches from the southern suburbs of Boston to Kingston.

Jay Sidhu, Sovereign's chairman and CEO, called the deal "a natural extension of our franchise." He also said that Sovereign is "now even better positioned to take advantage of any disruptions caused by the anticipated Bank of America / Fleet merger integration." Sovereign has a goal of attracting \$1 billion of deposits and \$1 billion of loans from former Fleet customers.

The deal, which is subject to regulatory and shareholder approval, is expected to be completed in the third quarter of this year.

As of June 30, 2003, Sovereign Bancorp had total deposits of \$8.8 billion and ranked 4th among all commercial bank and thrift institutions in Massachusetts. As of the same date, Seacoast Financial had total deposits of \$2.9 billion and ranked 9th, First Essex Bancorp had total deposits of \$841 million and ranked 24th, and Abington Bancorp had total deposits of \$665 million and ranked 28th.

(SNL Bank & Thrift Daily, 1/27/04; Sovereign PR, 1/26/04; Boston Globe, 1/27/04)

Independent Bank Corp. to Acquire Falmouth Bancorp

On January 9, 2004, Independent Bank Corp., Rockland, MA, announced that it has reached a definitive agreement to acquire Falmouth Bancorp Inc., Falmouth, MA, in a cash and stock deal valued at \$36.9 million. Independent Bank Corp. is the parent company of Rockland Trust Company, and Falmouth Bancorp is the parent company of Falmouth Co-operative Bank.

As a result of the deal, Independent will move up one spot to a number 6 deposit share ranking in Barnstable County, MA. Currently, Falmouth operates four branches, and Independent operates 15 offices in the county. In total, Independent has 52 branch offices throughout Massachusetts.

The deal, which is subject to regulatory and shareholder approval, is expected to close by midyear 2004.

As of June 30, 2003, Independent Bank Corp. had total deposits of \$1.8 billion and ranked 11th among all commercial bank and thrift institutions in Massachusetts. As of the same date, Falmouth Bancorp had total deposits of \$143 million and ranked 133rd.

(SNL Bank & Thrift Weekly, 1/12/04; Independent PR, 1/9/04)

Merger Completions

On December 31, 2003, a number of mergers were completed. Banknorth Group Inc, Portland, ME, completed its acquisition of First & Ocean Bancorp, Newburyport, MA. The deal was announced on September 3. BostonFed Bancorp, Burlington, MA, completed the merger of its two subsidiary banks. Broadway National Bank of Chelsea, Chelsea, MA, was merged with and into Boston Federal Savings Bank, Burlington, MA. Providian Corporation, Louisville, KY, also completed the merger of two of its subsidiaries. Providian Bank, Salt Lake City, UT, was merged with and into Providian National Bank, Tilton, NH.

On January 2, 2004, Fairfield County Savings Bank, Norwalk, CT, and Ridgefield Bank, Ridgefield, CT, merged to form Fairfield County Bank Corp. The banks will continue to operate as separate divisions of the holding company. Fairfield County Savings Bank also changed its name to Fairfield County Bank.

Citizens Financial Group Inc., Providence, RI, announced January 6 that it has completed its acquisition of Thistle Group Holdings Co., Philadelphia, PA, which was announced in September 2003. As a result of the holding company merger, the two subsidiary banks, Citizens Bank of Pennsylvania and Roxborough Manayunk Bank, were also merged.

(Internal Notice, 1/2/04, 1/8/04;
Fairfield County Bank PR, 1/2/04; Citizens PR, 1/6/04)

Merger Approvals

On January 20, the shareholders of Progress Financial Corp., Blue Bell, PA, approved the company's sale to FleetBoston Financial Corp., Boston, MA. On January 26, Progress announced that the sale had received final regulatory approval. The merger was expected to be completed on or about February 1.

On January 26, New Haven Savings Bank, New Haven, CT, announced it has received regulatory approval from the Connecticut Department of Banking for the bank's standard conversion from a mutual savings bank to a public company. The thrift expects to receive other required approvals that would allow the company to proceed with its subscription offer to depositors during the next 30 days, with an expected closing by the end of the first quarter. The conversion is still subject to the approval of the FDIC and the Banking Commissioner of the State of Connecticut.

In conjunction with the conversion, New Haven Savings Bank plans to form a new holding company, NewAlliance Bancshares, and to acquire Connecticut Bancshares, Manchester, NH, and Alliance Bancorp of New England, Vernon, CT. The acquisitions are still subject to shareholder and regulatory approval.

(SNL Bank & Thrift Daily, 1/27/04; NHB PR, 1/26/04)

Branch Openings

Falmouth Co-operative Bank, Falmouth, MA, opened its branch located at 174 Clay Pond Road, Bourne, MA, on November 24, 2003.

On January 12, 2004, Rockville Bank, Rockville, CT, opened its branch located at 1703 Boston Turnpike, Coventry, CT.

(Internal Notice, 1/27/04; CT DOB, 1/9/04)

Branch Relocation

On January 17, People's Bank, Bridgeport, CT, relocated its branch from 962 Farmington Avenue to 1013 Farmington Avenue, West Hartford, CT.

(CT DOB, 1/23/04)

OCC Issues Preemption Rules

The Office of the Comptroller of the Currency (OCC) announced January 7 that it has issued two final rules that "reflect the federal character of the national banking system." The first rule codifies a series of court decisions and OCC interpretations, and establishes

symmetry with national thrifts regarding the types of state laws that apply to national banks. It also includes a strong anti-predatory lending standard. The second rule clarifies the scope of the OCC's visitorial authority under federal law.

The agency said, "The preemption rule issued today builds on the current regulation by providing that state laws that 'obstruct, impair, or condition' a national bank's powers in the areas of lending, deposit taking and other national bank operations are not applicable to national banks." Examples of such laws include laws that regulate loan terms, require state licenses, or impose conditions on deposit or credit relationships. Laws that do not affect the manner or content of national bank activities, such as those dealing with contracts, torts, taxation, or zoning, are not preempted. Comptroller of the Currency John Hawke explained some of the agency's rationale: "When national banks are unable to operate under uniform, consistent and predictable standards, their business suffers and so does the safety and soundness of the national banking system."

The OCC has been criticized in recent months for its preemption policies, especially those related to state predatory lending laws. The agency indicated the new rule contains language addressing predatory lending, saying, "The standard, which applies to all consumer lending activities, codifies the OCC's pioneering approach to combating unfair and deceptive practices and bars loans that rely upon the foreclosure value of the collateral for repayment, a restriction that will prevent lenders from extending credit with an eye toward seizing a borrower's home."

The visitorial powers rule clarifies that the scope of the OCC's exclusive visitorial authority applies to the content and conduct of national bank activities authorized under federal law, but not to areas that have nothing to do with the business of banking, such as environmental laws and fire codes.

(SNL Bank & Thrift Weekly, 1/12/04; OCC PR, 1/7/04)

Regulators Propose Changes to CRA

On January 20, the Federal Reserve Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency approved an interagency proposal to revise two regulations that implement the Community Reinvestment Act (CRA). The first amendment would change the definition of "small institution." The current definition includes banks and thrifts with total assets of less than \$250 million that are independent or an affiliate of a holding company with less than \$1 billion of total assets. The new definition would include institutions with total assets of less than \$500 million and eliminate consideration of an institution's holding company size.

Second, the proposal would clarify the provision that an institution's CRA evaluation is adversely affected when the institution has engaged in specified discriminatory,

illegal, or abusive credit practices in connection with certain loans.

Public comments are welcome on the proposal. The comment period will last for 60 days following publication of the proposal in the Federal Register.

(SNL Bank & Thrift Weekly, 1/26/04;

Federal Reserve PR, 1/21/04; FDIC PR, 1/20/04)

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.

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