

Federal Reserve Bank of Boston

BANK NOTES

• Edited by Anne M. McElroy •
February 2010
Vol. XXXIX, No. 2

Mergers and Acquisitions

Litchfield, Conn.-based **First Litchfield Financial Corp.** said Feb. 19 that its stockholders approved an agreement and plan of merger providing for the acquisition of the company by Danbury, Conn.-based **Union Savings Bank**. The proposed merger is expected to close early in the second quarter of 2010, following the satisfaction or waiver of all the conditions set forth in the merger agreement, including the receipt of all required regulatory approvals. *(SNL Bank & Thrift Daily, Northeast Edition, 2/23/10; First Litchfield Financial press release, 2/19/10)*

Bridgeport, Conn.-based **People's United Financial Inc.** said Feb. 19 that it completed its acquisition of New York-based **Financial Federal Corp.** Under the agreement, former Financial Federal shareholders will receive, in exchange for each share of Financial Federal common stock, \$11.27 in cash and one share of People's United common stock. *(SNL Bank & Thrift Weekly, Northeast Edition, 2/22/10; People's United Financial Inc. press release, 2/19/10)*

Effective with opening of business on Feb. 13, Beverly, Mass.-based **Beverly National Corporation** was merged into Danvers, Mass.-based **Danvers Bancorp Inc.** To accomplish the merger, all **Beverly National Bank** branches were closed at the end of the day on Friday, Feb. 12. They remained closed over the long Presidents Day weekend and reopened on Tuesday, Feb. 16, as **Danversbank** branches. In addition, all Danversbank branches were closed on Sunday, Feb. 14. The intention to merge was announced on Oct. 30, 2009. *(Internal sources, 2/19/10; SNL Bank & Thrift Daily, Northeast Edition, 2/17/10; Danvers Bancorp Inc. press release, 2/12/10)*

Branch Openings

Amesbury, Mass.-based **Provident Bancorp** unit **Provident Bank (MHC)** opened a full-service branch in Hampton, N.H., Seacoastonline.com reported Feb. 19. The new branch is Provident Bank's fourth New Hampshire location. *(SNL Bank & Thrift Weekly, Northeast Edition, 2/22/10)*

Middletown, Conn.-based **Liberty Bank** said Jan. 28 that it relocated its Cromwell, Conn., branch to 72 Berlin Road, Cobblestone Plaza, in Cromwell. The new office is less than one mile from the former location at 2 Willowbrook Road in Cromwell. The new Berlin Road location will offer customers more drive-up convenience, expanded hours, and ample parking. *(SNL Bank & Thrift Weekly, Northeast Edition, 2/08/10; Liberty Bank press release, 1/28/10)*

Branch Closings

Watertown, Mass.-based **Watertown Savings Bank** will shut one of its Watertown branches this spring and consolidate it with another nearby branch, *Watertown TAB & Press* reported Feb. 5. The company will continue to have four branches in Watertown, according to Senior Vice President Fred Proia, who was cited in the news source. The company decided not to renew the lease for the location on Arsenal Street, which expires at the end of June, according to Proia. No employees will be laid off as a result of the closure, the news outlet reported. *(SNL Bank & Thrift Daily, Northeast Edition, 2/16/10)*

Liquidations

Effective with the close of business Jan. 5, Knights of Columbus Sheridan Council Federal Credit Union, Waterbury, CT, was liquidated and its corporate existence terminated. *(Internal sources, 1/22/10)*

Federal Reserve announces an online consumer guide to credit cards

The Federal Reserve Board launched a new interactive website to help consumers better understand the new credit card protections that took effect on February 22, 2010. These rules ban several harmful practices and require greater transparency in the disclosure of the terms and conditions of credit card accounts. The site, which can be found at www.federalreserve.gov/creditcard, summarizes the main provisions of the rules and explains how they will affect credit card users. Two interactive features will allow consumers to learn more about the terms and fees of credit card offers and about the new features of their monthly statements. More information is available online at <http://www.federalreserve.gov/newsevents/press/other/20100219a.htm>. (Reserve Board press release, 2/19/10)

Board releases online publication on new overdraft rules for debit and ATM cards

Bank account overdraft fees can be a source of unexpected costs for consumers. A new online Federal Reserve Board publication will help consumers better understand rules that provide additional protection when a debit card or automated teller machine (ATM) transaction causes an account to be overdrawn.

Federal Reserve Board rules that take effect on July 1, 2010, prohibit financial institutions from charging overdraft fees for ATM and one-time debit card transactions unless a consumer consents, or opts in, to the overdraft service for those types of transactions. *What You Need to Know: New Overdraft Rules for Debit and ATM Cards* provides an explanation of how the rules will affect existing and new account holders. It contains basic information about types and typical costs of overdraft services and defines common terms consumers may encounter in communications from their bank about overdrafts. The publication and more details are available online at: http://www.federalreserve.gov/consumerinfo/wyntk_overdraft.htm. (Reserve Board press release, 2/22/10)

Federal Reserve Banks announce new studies to examine nation's check and electronic payments usage

The Federal Reserve Banks announced plans on January 10, 2010 to conduct another series of studies to determine the current volume and composition of check and electronic payments in the United States. These studies will build on information gained from similar

studies conducted by the Reserve Banks in 2001, 2004 and 2007. The 2010 Federal Reserve Payments Study consists of three research efforts commissioned to estimate the annual number, dollar value and composition of retail noncash payments in the United States. Together, the studies will provide aggregate estimates and current trends in the use of noncash payment instruments by U.S. consumers and businesses. Previous studies have revealed significant changes in the U.S. payments system over time, including a continuing decline in the use of checks and growing use of electronic payments, such as automated clearinghouse, electronic banking transactions, credit cards, debit cards and stored value cards. Preliminary results should be released by late 2010. More details are available online at <http://www.federalreserve.gov/newsevents/press/other/20100120a.htm>. (Reserve Board press release, 1/20/10)

Federal Reserve approves modifications to the terms of its discount window lending programs

The Federal Reserve Board announced on February 18, 2010 that in light of continued improvement in financial market conditions it had unanimously approved several modifications to the terms of its discount window lending programs. Like the closure of a number of extraordinary credit programs earlier this month, these changes are intended as a further normalization of the Federal Reserve's lending facilities. The modifications are not expected to lead to tighter financial conditions for households and businesses and do not signal any change in the outlook for the economy or for monetary policy, which remains about as it was at the January meeting of the Federal Open Market Committee (FOMC).

The changes to the discount window facilities include Board approval of requests by the boards of directors of the 12 Federal Reserve Banks to increase the primary credit rate (generally referred to as the discount rate) from 1/2 percent to 3/4 percent. This action is effective on February 19. In addition, the Board announced that, effective on March 18, the typical maximum maturity for primary credit loans will be shortened to overnight. Primary credit is provided by Reserve Banks on a fully secured basis to depository institutions that are in generally sound condition as a backup source of funds. Finally, the Board announced that it had raised the minimum bid rate for the Term Auction Facility (TAF) by 1/4 percentage point to 1/2 percent. The final TAF auction will be on March 8, 2010. More information relating to these modifications is available at <http://www.federalreserve.gov/newsevents/press/monetary/20100218a.htm>. (Reserve Board press release 2/18/10)

Regulators issue statement on lending to creditworthy small businesses

The federal financial regulatory agencies and the Conference of State Bank Supervisors (the regulators) issued a statement February 5, 2010 on prudent lending to creditworthy small business borrowers. The regulators recognize that small businesses play an important role in the economy and know that some are experiencing difficulty in obtaining or renewing credit. The statement emphasizes that financial institutions that engage in prudent small business lending after performing a comprehensive review of a borrower's financial condition will not be subject to supervisory criticism for small business loans made on that basis. Financial institutions should understand the long-term viability of the borrower's business and focus on the strength of a borrowers' business plan to manage risk rather than using portfolio management models that rely primarily on general inputs, such as a borrower's geographic location or industry. The Interagency statement and other related information can be found at <http://www.federalreserve.gov/newsevents/press/bcreg/20100219a.htm>. (Reserve Board press release 2/19/10)

Federal Reserve announces proposed clarifications to final rules under Regulations E and DD

The Federal Reserve Board on February 19, 2010 proposed clarifications to aspects of its November 2009 final rule under Regulation E (Electronic Fund Transfers) and its December 2008 final rule under Regulation DD (Truth in Savings) pertaining to overdraft services. The proposals are intended to address questions that have arisen and to provide further guidance regarding compliance with certain aspects of the final overdraft rules. In particular, the proposals would clarify that the prohibition in Regulation E on assessing overdraft fees without the consumer's affirmative consent applies to all institutions, including those with a policy and practice of declining automated teller machine (ATM) and one-time debit card transactions when an account has insufficient

funds. The proposals would also make certain technical corrections and conforming amendments. Comments on the proposals must be submitted within 30 days after publication in the Federal Register, which is expected shortly. The Federal Register notices and additional information are available at <http://www.federalreserve.gov/newsevents/press/bcreg/20100219a.htm> (Reserve Board press release, 2/19/10)

Agencies Issue Final Rule for Regulatory Capital Standards Related to Statements of Financial Accounting Standards Nos. 166 and 167

The federal banking and thrift regulatory agencies announced January 21, 2010 the final risk-based capital rule related to the Financial Accounting Standards Board's adoption of Statements of Financial Accounting Standards Nos. 166 and 167. These new accounting standards make substantive changes to how banking organizations account for many items, including securitized assets, that had been previously excluded from these organizations' balance sheets. Banking organizations affected by the new accounting standards generally will be subject to higher risk-based regulatory capital requirements. The rule better aligns risk-based capital requirements with the actual risks of certain exposures. It also provides an optional phase-in for four quarters of the impact on risk-weighted assets and tier 2 capital resulting from a banking organization's implementation of the new accounting standards. The final rule, issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of Thrift Supervision, will take effect 60 days after publication in the Federal Register, which is expected shortly. Banking organizations may choose to comply with the final rule as of the beginning of their first annual reporting period after November 15, 2009. More information is available at <http://www.federalreserve.gov/newsevents/press/bcreg/20100121a.htm>. (Reserve Board press release, 1/21/10)



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 be added to the electronic mailing list or to the paper distribution list, send visit our online subscription form at www.bos.frb.org/economic/banknote/bnsubscribe.htm. If unable to do so, call Anne McElroy at (617) 973-3126. To access *Bank Notes* on the Web, visit the Boston Fed's web site at www.bos.frb.org/economic/banknote/index.htm.