

Federal Reserve Bank of Boston BANK NOTES

• Edited by Anne McElroy •

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TD Banknorth Financial Group and Commerce Bancorp Merger Completed

On March 31, 2008, TD Banknorth Financial Group (C\$435 billion) of Toronto, Canada, completed its acquisition of Commerce Bancorp (\$49.26 billion) of Cherry Hill, NJ. The deal received federal regulatory approval on March 13, 2008. While the two bank holding companies have merged, the operational merger of the individual banks is scheduled to occur later this spring.

The new bank's legal name will be TD Bank, but it plans to use the brand name, "TD Commerce Bank." Current Commerce Bank branches will be rebranded during 2008, while TD Banknorth branches are expected to be rebranded during 2009.

The announced value, at completion, was \$9.17 billion (U.S.D.), making this one of the largest bank mergers in the past two years. With over 2,000 branches in North America, TD Commerce will have a particularly strong presence along the eastern seaboard. (*SNL Bank & Thrift Daily* 3/17/08; *TD Banknorth press release* 3/31/08)

Mergers and Acquisitions

Eastern Bank Corp. (\$6.8 billion) of Boston, MA, has signed a definitive agreement to acquire MASSBANK Corp. (\$801.8 million) of Reading, MA, for approximately \$170 million. The deal will provide Eastern Bank, New England's largest independent, mutually owned commercial bank, with 89 branch locations and 100 ATMS across eastern Massachusetts.

The merger, Eastern's third in the past four years, is subject to shareholder and regulatory approval and is expected to close during the second half of 2008. (*SNL Bank & Thrift Daily, Northeastern Edition*, 3/17/08; *Eastern Bank press release*, 3/10/08)

Machias Savings Bank of Camden, ME, purchased the Rockland, ME, branch of Camden National Bank of Camden, ME, on March 8, 2008. (*Internal sources*, 3/10/08)

Passumpsic Savings Bank (\$501.7 million) of Saint Johnsbury, VT, a unit of Passumpsic Bancorp, will acquire Lancaster National Bank (\$54.8 million) of Lancaster, NH, under an agreement signed on February 27, 2008.

In October 2006, Passumpsic acquired a 10 percent interest in Lancaster National Bank through an acquisition of Siwooganock Holding Company, and is slated to acquire the remaining 90 percent of Lancaster's common stock. The transaction is expected to be completed by June 30, 2008. (*SNL Bank & Thrift Weekly, Northeastern Edition*, 3/10/08)

Rockland Trust Company (\$2.77 billion) of Rockland, MA, completed its acquisition of Slades Bank (\$610.2 million) of Somerset, MA, on March 1, 2008. The transaction adds nine branches along Massachusetts' south coast to Rockland Trust's 69 retail branches in southeastern Massachusetts. In a related deal, Slades Ferry Bancorp merged into Independence Bank Corp., the parent company of Rockland Trust. (*Internal sources*, 3/10/08; *Rockland Trust press release*, 3/01/08)

The Savings Institute Bank and Trust Company of Willimantic, CT, purchased a New London, CT, branch of The Bank of Southern Connecticut of New Haven, CT, on March 1, 2008. (*Internal sources*, 3/10/08)

Superior Savings of New England, NA of Branford, CT, merged into Capital One, NA of McLean, VA, on March 8, 2008. (*Internal Sources*, 3/10/08)

Structural Changes

Auburn Bancorp Inc. of Auburn, ME, filed papers on March 14, 2008, to convert to a public company with a mutual holding company structure. The company will offer between 225,675 and 305,324 shares for a price of \$10.00 per share, bringing in estimated proceeds of \$1.7 million to \$2.5 million. The shares will represent 45 percent of the company in common stock following the offering. Under the deal, Auburn Bancorp MHC, a holding company for Auburn Savings Bank FSB of Auburn, ME, will be formed. The new bank will own 55 percent of the outstanding common stock. (*SNL Bank & Thrift Daily*, 3/17/08)

Boston Private Financial Holdings, Inc. of Boston, MA, announced on March 19, 2008, that it intends to restructure the equity of its affiliate, Westfield Capital Management Co. LLC of Westfield, MA.

Under the plan, the equity of Westfield Capital Management will be restructured into two classes of

equity. The first equity will be retained completely by Boston Private. Of the second class of equity, one-third will be issued to Boston Private, with the other two-thirds to be distributed among members of Westfield's management team. (*SNL Bank & Thrift Daily*, 3/20/19; *Boston Private Press Release*, 3/18/08)

De Novo Opens

Quinnipiac Bank & Trust Co., of Hamden, CT, opened for business on March 6, 2008. Quinnipiac Bank will offer the Greater New Haven community a full suite of business and personal services. In particular, the bank aims to offer capital to small, local businesses. Quinnipiac plans to open a New Haven branch later this year and one in North Haven in 2009. (*SNL De novo Watch*, 3/18/08; *Quinnipiac Bank press release*, 3/10/08)

Financial Institution Relocation

Dedham Town Employees Federal Credit Union of Dedham, MA, relocated from 450 Washington Street to 202 Bussey Street on March 4, 2008. (*Internal sources*, 3/14/08)

New Branches

Marlborough Savings Bank, a unit of Marlborough Bancshares of Marlborough, MA, opened a branch at 21 East Main Street in Westborough, MA, on March 17, 2008. (*SNL Bank and Merger Weekly*, 3/23/08)

Rockland Trust Company of Rockland, MA, opened a branch at 301 Quincy Avenue in Quincy, MA, on December 20, 2007. (*Internal sources*, 3/03/08)

FFIEC Issues Updated Business Continuity Planning Booklet

On March 19, 2008, the Federal Financial Institutions Examination Council (FFIEC) issued updated guidance for examiners, financial institutions, and technology service providers to identify business continuity risks and evaluate controls and risk management practices for effective business continuity planning. Electronic versions of the booklet are available at www.ffiec.gov/ffiecinfobase/html_pages/It_01.html. (*Federal Reserve Supervision and Regulation Letter 08-3*, 3/19/08)

Reserve Board Proposes Changes to Payments System Risk Policy

On February 28, 2008, the Federal Reserve Board requested comments on proposed changes to its Payments System Risk (PSR) policy that intend to loosen intraday liquidity constraints and reduce operational risks in financial markets and the payments system. The Board proposes a new strategy to provide intraday credit to depository institutions and encourage these institutions to collateralize their daylight overdrafts.

The Board proposes a policy of supplying intraday balances to healthy depository institutions predominantly through explicitly collateralized daylight overdrafts. To avoid significant operational disruptions to the payments

system and decrease cost burdens on the large number of institutions that incur small daylight overdrafts, the policy would let depository institutions voluntarily pledge collateral to secure daylight overdrafts.

The proposed policy would involve changes to other policy provisions, eliminate the current deductible for daylight overdraft fees, and increase the penalty daylight overdraft fee for ineligible institutions.

Comments on the proposal are requested by June 4, 2008. To help institutions assess the proposed changes, a fee calculator is available so institutions can estimate their daylight overdraft fees under the proposal. The calculator, full announcement, and instructions on submitting comments, are available online at

www.federalreserve.gov/newsevents/press/other/20080228a.htm. (*Reserve Board press release*, 2/28/08)

Reserve Board Issues Guidance on Subprime Loss Mitigation Activities

On March 13, 2008, the Federal Reserve Board issued Supervision and Regulation (SR) Letter SR 08-2/CA 08-2, which encourages financial institutions that service subprime mortgage loans to report their loss mitigation activities consistent with uniform standards. Financial institutions also are urged to consider using the "HOPE NOW" alliance's loan modification reporting standards for their service loans.

HOPE NOW is an alliance of counselors, mortgage market participants, and mortgage servicers to create a unified, coordinated plan to reach and help as many homeowners in distress as possible. The Department of the Treasury and the Department of Housing and Urban Development encouraged the formation of the HOPE NOW alliance.

The letter builds on previous statements issued by the Federal Reserve and other federal banking agencies to encourage financial institutions to work constructively with residential borrowers who are financially unable to make contractual payment obligations on their home loans.

The complete text of SR 08-2/CA 08-2 is online at www.federalreserve.gov/boarddocs/srletters/2008/SR0802.htm. (*Internal sources*, 3/04/08)

Federal Reserve Banks Announce Restructuring Schedule Changes as Electronic Check Processing Continues to Accelerate

On March 31, 2008, the Reserve Banks announced modifications to their schedule for check processing infrastructure changes. The schedule has been accelerated as consumers and businesses continue to shift from paper checks to electronic payments, and because financial institutions are rapidly adopt electronic check processing.

In June 2007, the Reserve Banks selected Philadelphia, PA, Cleveland, OH, Atlanta, GA, and Dallas, TX, as regional check processing sites that will provide a full range of paper check processing services for the entire United States.

The revised schedule begins with seven check sites being relocated in 2008, as opposed to the five sites that were originally scheduled. **The new schedule includes the transfer of the Windsor Locks, CT, check processing site during the third quarter of 2008, rather than the first quarter of 2009.**

In addition, the overall transition schedule has been shortened and will conclude in early 2010 instead of early 2011. Reserve Banks will continue to review their check infrastructure annually to respond to further changes in our nation's payments system and to meet statutory requirements for long-term cost recovery.

“The transition in consumer and business preferences from paper checks to electronic payments is moving at a very brisk pace. The revised schedule... enables the Reserve Banks to continue to provide high-

quality check processing services to depository institutions throughout the country... (and) also supports our business strategy to use the authority provided by Check 21 to collect more checks electronically,” said Gary Stern, chairman of the Reserve Banks' Financial Services Policy Committee and president of the Federal Reserve Bank of Minneapolis.

To help New England financial institutions adjust to the change, the Boston Reserve Bank will hold informational sessions this summer to meet with customers to discuss what they can expect as, and after, First District check operations move to Philadelphia.

The Reserve Board's full announcement can be viewed at www.federalreserve.gov/newsevents/press/other/20080331a.htm. (*Internal sources, 3/31/08*)



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