Federal Reserve Bank of Boston

BANK NOTES

• Edited by Anne M. McElroy •
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Mergers and Acquisitions

Berkshire Hills Bancorp Inc. unit Berkshire Bank ($2.63 billion) announced on April 29, 2009, that it had signed a definitive agreement to acquire CNB Financial Corp. ($295.2 million) and its unit Commonwealth National Bank, both of Worcester, MA. Under the deal, valued at approximately $19.5 million, Commonwealth National Bank will be merged into Berkshire Bank. The combined entity will have approximately $3 billion in assets and will serve customers in 54 financial centers in western and central Massachusetts, northeastern New York and southern Vermont. *(SNL Bank & Thrift Daily, 5/01/08; Berkshire Hills press release, 4/30/09)*

On May 1, 2009, Caswell Credit Union of South Burlington, VT, merged into Members Advantage Community Credit Union of Barre, VT. *(Internal sources, 5/4/09)*

Enfield Federal Savings and Loan Association of Enfield, CT, merged into Valley Bank of Bristol, CT, on May 1, 2009. On the same day, Valley Bank renamed the combined entity "New England Bank." Enfield Federal Savings and Valley Bank will retain their original names at each of their respective branches, operating as divisions of New England Bank of Enfield, CT. *(Internal sources, 5/08/09)*

On April 10, 2009, Independent Bank Corp. of Rockland, MA ($3.63 billion), holding company for Rockland Trust, announced that it had completed its acquisition of Benjamin Franklin Bancorp Inc. ($997.7 million) of Franklin, MA. The surviving entity, Independent Bank, will operate under the Rockland Trust brand as of May 11, 2009, and will operate over 70 branches along Boston's South Shore, on Cape Cod, and throughout southeastern Massachusetts. *(SNL Bank & Thrift Daily, 4/11, 2009; Rockland Trust website, 4/11/09)*

On April 28, 2009, Service Bancorp, Inc. (MHC), holding company for Strata Bank (MHC) of Medway, MA, announced that the corporators of the institution had approved an agreement to merge into Middlesex Savings Bank of Natick, MA. The transaction remains subject to several conditions, including regulatory approvals and the approval of two- thirds of the corporators of Middlesex Bancorp. The deal, originally expected to close in the first quarter of 2009, is now expected to close by the end of the second quarter of 2009. *(SNL Bank & Thrift Weekly, Northeastern Edition; Service Bancorp, Inc. press release, 4/28/09)*

On March 1, 2009, WebFive, MHC, and WebFive, Inc. of Webster, MA, were formed and acquired Webster Five Cents Savings Bank of Webster, MA. In a related deal, WebFive Financial Services, Inc. was formed as a unit of the WebFive, MHC, bank holding company. *(Internal sources, 4/17/09)*

New Branches

Rollstone Bank & Trust of Fitchburg, MA, opened a new main office banking center at 780 Main Street, Fitchburg, MA, on March 30, 2009. The center is located adjacent to Rollstone's old headquarters on Main Street.

The branch opening is the second of a three-step renovation of the bank's Fitchburg headquarters. Rollstone's renovation project and demolition of its old headquarters are slated for completion by July 1, 2009. *(SNL Bank & Thrift Weekly, Northeastern Edition, 4/20/09)*

Corporate Title Change

Bangor Hydro Federal Credit Union of Hampden, ME, changed its corporate title to Changing Seasons Federal Credit Union on May 1, 2009. *(Internal sources, 5/08/09)*

Proposed Conversion

On April 29, 2009, members of Coastway Credit Union of Cranston, RI, voted in favor of the credit union's plan to convert to a mutual savings bank. The conversion, subject to regulatory approval, is expected within three to four months. The new entity will operate under the name of Coastway Community Bank. In addition, the institution plans to open three new branches at future dates. *(SNL Bank & Thrift Daily, 5/5/09; Providence Journal, 5/1/09)*

Financial Institution Relocations

On January 1, 2009, Haverhill Credit Union of Haverhill, MA, relocated from 427 Main Street in Haverhill, MA, to 15 Broadway, also in Haverhill. *(Internal sources, 4/17/09)*

Agencies Propose Clarifications to Credit Card Rules

The Federal Reserve Board, the Office of Thrift Supervision, and the National Credit Union Administration on April 21, 2009, proposed clarifications to aspects of their December 2008 final rules under the Federal Trade Commission Act (FTC Act) prohibiting certain unfair credit card practices. The Federal Reserve Board also proposed clarifications to its December 2008 final rule under the Truth in Lending Act (TILA) amending Regulation Z to improve the disclosures consumers receive in connection with credit card accounts and other revolving credit plans.

The proposals are intended to facilitate compliance with the December 2008 final rules without reducing protections for consumers. They would resolve areas of uncertainty and make technical corrections to ensure that institutions are able to comply with the rules on or before the July 1, 2010, effective date. In particular, the proposals would clarify that:

- Key protections in the final rules would continue to apply to balances on a consumer credit card account when the account is closed or acquired by a different institution or when the balances are transferred to another account issued by the same institution.
- Institutions and retailers may continue to offer deferred interest and similar programs, but these programs are subject to all of the protections in the final rules. In addition, institutions and retailers must comply with enhanced disclosure requirements.

Full details about the changes are available online at www.federalreserve.gov/newsevents/press/bcreg/20090421a.htm. *(Reserve Board press release, 4/21/09)*

Reserve Board Issues Revised Disclosure Requirements for Mortgage Loans under Regulation Z (Truth in Lending)

On May 8, 2009, the Federal Reserve Board approved final rules to revise disclosure requirements for mortgage loans under Regulation Z (Truth in Lending). The revisions implement the Mortgage Disclosure Improvement Act (MDIA), which was enacted in July 2008 as an amendment to the Truth in Lending Act (TILA).

The MDIA seeks to ensure that consumers receive cost disclosures earlier in the mortgage process. In several respects, the MDIA is substantially similar to final rules issued by the Board in July 2008. However, the MDIA also broadens and adds to those regulatory requirements.

Under the MDIA, creditors must comply with the new provisions on July 30, 2009. The Board's implementing regulations apply to dwelling-secured consumer loans for which a creditor receives an application on or after July 30, 2009.

The MDIA requires creditors to give good faith estimates of mortgage loan costs ("early disclosures") within three business days after receiving a consumer's application for a mortgage loan and before any fees are collected from the consumer, other than a reasonable fee for obtaining the consumer's credit history.

These requirements are consistent with the Board's July 2008 final rule, which applied to loans secured by a consumer's principal dwelling. The MDIA broadens this requirement by also requiring early disclosures for loans secured by dwellings other than the consumer's principal dwelling, such as a second home. For additional information, please visit www.federalreserve.gov/newsevents/press/bcreg/20090508a.htm. *(Reserve Board press release, 5/08/09)*

Agencies Release Results of Supervisory Capital Assessment "Stress Test" Program

The results of a comprehensive, forward-looking assessment of the financial condition of the nation's 19 largest bank holding companies (BHCs) by the federal bank supervisory agencies were released on May 7, 2009.

The exercise – conducted by the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation – was conducted so that supervisors could determine the capital buffers sufficient for the 19 BHCs to withstand losses and sustain lending – even if the economic downturn is more severe than is currently anticipated. In a detailed summary of the results of the Supervisory Capital Assessment Program (SCAP), the supervisors identified the potential losses, resources available to absorb losses, and resulting capital buffer needed for the 19 participating BHCs.

The SCAP is a complement to the Treasury's Capital Assistance Program (CAP), which makes capital available to financial institutions as a bridge to private capital in the future. These programs play a critical role in ensuring that the U.S. banking sector will be in a position of strength.

To view the results of the program to date and to read a statement from Fed Chairman Ben Bernanke, please visit www.federalreserve.gov/newsevents/press/bcreg/20090507a.htm. *(Reserve Board press release 5/7/09)*

Federal Reserve Expands Eligible Collateral under Term Asset-Backed Securities Loan Facility (TALF)

The Federal Reserve Board announced on May 1, 2009, that, starting in June, commercial mortgage-backed securities (CMBS) and securities backed by insurance premium finance loans will be eligible collateral under the Term Asset-Backed Securities Loan Facility (TALF).

The CMBS market came to a standstill in mid-2008. The inclusion of CMBS as eligible collateral for TALF loans will help prevent defaults on economically viable commercial properties, increase the capacity of current holders of maturing mortgages to make additional loans, and facilitate the sale of distressed properties. CMBS accounted for almost half of new commercial mortgage originations in 2007.

More than 1.5 million insurance premium finance loans are extended to small businesses each year so they can obtain property and casualty insurance. The loans are often funded through the asset-backed securities (ABS) market and have become more expensive and more difficult to obtain since the shutdown of that market last fall. The inclusion of insurance premium ABS as TALF-eligible collateral will facilitate the flow of credit to small businesses. The Board also authorized TALF loans with maturities of five years instead of the current three-year maturity. The Board indicated that up to $100 billion of TALF loans could have five-year maturities; it will continue to evaluate that limit. Some of the interest on collateral financed with a five-year loan may be diverted toward an accelerated repayment of the loan, especially in the fourth and fifth years.

The Board authorized the TALF on November 24, 2008, under section 13(3) of the Federal Reserve Act. Under the TALF, the Federal Reserve Bank of New York extends loans secured by AAA-rated ABS backed by newly and recently originated loans. For more information, visit www.federalreserve.gov/newsevents/press/monetary/20090501a.htm. *(Reserve Board press release, 5/01/09)*

Boston Reserve Bank Holds Interdisciplinary Outreach Conference

The Boston Reserve Bank's new Financial Institution Relations and Outreach (FIRO) program held a day-long conference at the Bank on May 6, 2009. Speakers included representatives from a number of Bank areas: Legal; Supervision, Regulation & Credit; Research; and Public & Community Affairs.

Presentations from the conference are available at www.bos.frb.org/bankinfo/firo/events/fedexchange/index.htm.

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