

# Federal Reserve Bank of Boston BANK NOTES

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## Mergers and Acquisitions

New England Bancshares, Inc. of Cheshire, CT, the holding company for New England Bank, announced on June 8, 2009, that it had completed its acquisition of the Apple Valley Bank and Trust Co. of Bristol, CT. With the acquisition, New England Bank is a single bank with three divisions, Apple Valley, Enfield Savings Bank, and Valley Bank, each continuing to use its own name. Enfield Federal Savings and Loan Association and Valley Bank were previously merged on May 1, 2009.

With the addition of the branch offices of Apple Valley Bank & Trust, New England Bank has 15 branches serving the communities of Enfield, Bristol, Ellington, Manchester, Southington, Suffield, Terryville, East Windsor, and Windsor Locks, CT. Eight of the branches operate under the name Enfield Savings; four, under the name Valley Bank; and three, under the name Apple Valley Bank. (*SNL Bank & Thrift Daily*, 6/08/09; *New England Bancshares press release*, 6/08/09)

On May 21, 2009, Berkshire Hills Bancorp of Pittsfield, MA, announced that it had entered into a definitive agreement to purchase CNB Financial Corp. and its unit Commonwealth National Bank, both of Worcester, MA. On May 29, 2009, CNB announced **that** it was entering discussions on acquisition proposals from another party.

CNB has now attracted three bids. It signed an original definitive agreement with Berkshire Hills Bancorp Inc. on April 29, 2009. Berkshire then upped the terms of the agreement after United Financial Bancorp Inc. of West Springfield, MA, made an unsolicited offer.

After United increased its bid in response, CNB Financial said it would begin talks with United and a third, unnamed suitor. Berkshire, meanwhile, said it would stand by the current definitive agreement, which was still in place while the other bidders conducted due diligence. On May 26, it was reported that the United offer would expire on June 1, 2009.

On June 1, 2009, Berkshire Bank Hills announced that it was maintaining the existing merger terms with CNB. (*SNL Bank & Thrift Daily*, 5/01/08; *Berkshire Hills press release*, 4/30/09, *SNL Bank & Thrift Daily*, 6/1/09, *SNL Bank and Thrift Daily*, June 2, 2009, *CNB Financial Corp press release*, 5/26/09)

On May 31, 2009, NationsHeritage Federal Credit Union of Attleboro, MA, merged into HarborOne Credit

Union of Brockton, MA. NationsHeritage will continue to operate under its own name until the systems integration, scheduled for August 3, 2009, is completed. At that time, NationsHeritage branches will operate under the HarborOne name.

With the merger, HarborOne is the largest credit union in southeastern Massachusetts with 15 branch offices and 28 ATMs serving Plymouth, Norfolk, Bristol, and Barnstable counties. (*Internal sources*, 6/06/09; *HarborOne Credit Union Press release*, 6/01/09)

Raymond James Financial Inc. (RJF) of Saint Petersburg, FL, acquired Lane Berry & Company International LLC from Lane Berry Holdings LLS of Boston, MA, on May 26, 2009. Lane Berry provides investment banking services in the areas of mergers, acquisition, divestitures, debt and equity financing, and corporate governance issues. No information about the value of the deal was released. (*SNL Securities & Investments M&A*, June 2009)

## Financial Institution Relocation

State Street Bank and Trust Company relocated from 225 Franklin Street in Boston, MA, to One Lincoln Street in Boston on May 18, 2009. (*Internal sources*, 6/05/09)

## Federal Reserve Board Approves Amendments to Regulations D and I

On May 20, 2009, the Federal Reserve Board announced the approval of final amendments to Regulation D (Reserve Requirements of Depository Institutions) to liberalize the types of transfers consumers can make from savings deposits and to make it easier for community banks that use correspondent banks to receive interest on excess balances held at Federal Reserve Banks. The Board is also making other clarifying changes to Regulation D and Regulation I (Issue and Cancellation of Federal Reserve Bank Capital Stock).

The Board has revised Regulation D's restrictions on the types and number of transfers and withdrawals that may be made from savings deposits. The final amendments increase from three to six the permissible monthly number of transfers or withdrawals from savings deposits by check, debit card, or similar order payable to third parties. Technological advancements have eliminated any rational basis for the distinction between transfers by

these means and other types of pre-authorized or automatic transfers subject to the six-per-month limitation.

The Board also approved changes to Regulation D that authorize the establishment of limited-purpose accounts at Federal Reserve Banks for the maintenance of excess balances of interest-eligible institutions. The amendments, which become effective July 2, 2009, will allow these accounts to earn interest as allowed by the Financial Services Regulatory Relief Act of 2006, as amended by the Emergency Economic Stabilization Act of 2008.

For additional information, including frequently asked questions on excess balance accounts and the May 29 Federal Register notices for Regulation D and Regulations D and I, please view the Board's press release at [www.federalreserve.gov/newsevents/press/monetary/20090520b.htm](http://www.federalreserve.gov/newsevents/press/monetary/20090520b.htm). *(Board press release, 5/20/09)*

## **Extension of Temporary Increase in Standard FDIC Maximum Deposit Insurance Amount**

President Barack Obama signed the Helping Families Save Their Homes Act on May 20, 2009, which extends the temporary increase in the standard maximum deposit insurance amount (SMDIA) to \$250,000 per depositor through December 31, 2013. This extension of the temporary \$250,000 coverage limit became effective immediately upon the President's signature. The legislation provides that the SMDIA will return to \$100,000 on January 1, 2014. For more information, please read the FDIC's May 22 letter to Financial Institutions at [www.fdic.gov/news/news/financial/2009/fil09022.html](http://www.fdic.gov/news/news/financial/2009/fil09022.html). *(FDIC Letter, 5/22/09)*

## **FDIC Adopts Special Assessment Final Rule**

On May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009. The amount of the special assessment for any institution will not exceed 10 basis points times the institution's assessment base for the second quarter of 2009. The special assessment will be collected on September 30, 2009.

The FDIC's May 22 letter to financial institutions noted that an additional special assessment of up to 5 basis points later in 2009 is probable, but the amount is uncertain. More information is available at [www.fdic.gov/news/news/financial/2009/fil09023.html](http://www.fdic.gov/news/news/financial/2009/fil09023.html). *(FDIC Letter, 5/22/09)*

## **Federal Agencies Propose Rule to Implement Secure and Fair Enforcement (S.A.F.E.) Act Mortgage Loan Originator Registration Requirements**

On June 1, 2009, the Federal banking agencies issued for public comment proposed rules requiring mortgage

loan originators who are employees of agency-regulated institutions to meet the registration requirements of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act).

The S.A.F.E. Act's goals include improving accountability and tracking of mortgage loan originators (MLOs), enhancing consumer protection, reducing fraud, and providing consumers with easily accessible information about the professional background of MLOs.

The S.A.F.E. Act requires the agencies to jointly develop and maintain a system for registering residential mortgage loan originators who are employees of agency-regulated institutions, including national and state-chartered banks, savings associations, credit unions, and Farm Credit System institutions, as well as certain of their subsidiaries.

Mortgage loan originators must be registered with the Nationwide Mortgage Licensing System and Registry (Registry), a database established by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators to support the licensing of mortgage loan originators by the States. As part of this registration process, mortgage loan originators must furnish to the Registry background information and fingerprints for a background check.

The S.A.F.E. Act generally prohibits employees of an agency-regulated institution from originating residential mortgage loans without first registering with the Registry. The proposal was issued jointly by the Office of the Comptroller of the Currency, Federal Reserve Board of Governors, Federal Deposit Insurance Corporation, Office of Thrift Supervision, Farm Credit Administration, and National Credit Union Administration. Comments are due 30 days from the date of publication in the *Federal Register*. For more information, including the Federal Register notice and the detailed proposal, please visit [www.federalreserve.gov/newsevents/press/bcreg/20090601a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20090601a.htm). *(Interagency press release, 6/01/09)*

## **FDIC Statement on the Status of the Legacy Loans Program**

On June 3, 2009, the FDIC announced that development of the Legacy Loans Program (LLP) will continue, but that a previously planned pilot sale of assets by open banks will be postponed. In making the announcement, Chairman Sheila Bair stated, "Banks have been able to raise capital without having to sell bad assets through the LLP, which reflects renewed investor confidence in our banking system. As a consequence, banks and their supervisors will take additional time to assess the magnitude and timing of troubled assets sales as part of our larger efforts to strengthen the banking sector."

The FDIC will next test the funding mechanism contemplated by the LLP in a sale of receivership assets this summer. This funding mechanism draws upon concepts successfully employed by the Resolution Trust Corporation in the 1990s, which routinely assisted in the

financing of asset sales through responsible use of leverage. The FDIC expects to solicit bids for this sale of receivership assets in July 2009.

Chairman Bair added, "The FDIC will continue its work on the LLP and will be prepared to offer it in the future as an important tool to cleanse bank balance sheets and bolster their ability to support the credit needs of the economy." (*FDIC press release 6/04/09*)

## Reserve Board Announces Final Rule Regarding Tier 1 Capital

On May 22, 2009, the Federal Reserve Board announced the adoption of a final rule allowing bank holding companies to include in their Tier 1 capital, without restriction, senior perpetual preferred stock issued to the U.S. Treasury Department under the Troubled

Asset Relief Program (TARP). This rule finalizes the Board's interim final rule of October 2008.

The Board also announced the adoption of an interim final rule that will allow bank holding companies that are S-Corps or that are organized in mutual form to include in Tier 1 capital all subordinated debt issued to the Treasury under TARP, provided that the subordinated debt will count toward the limit on the amount of other restricted core capital elements includable in Tier 1 capital.

The interim final rule also will allow small bank holding companies that are S-Corps or that are organized in mutual form to exclude subordinated debt issued to the Treasury under TARP from treatment as "debt" for purposes of the debt-to-equity standard under the Board's Small Bank Holding Company Policy Statement. More details are available at

[www.federalreserve.gov/newsevents/press/bcreg/20090522a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20090522a.htm), including revisions to Regulation Y. (*Board press release, 5/22/09*)



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