

Federal Reserve Bank of Boston BANK NOTES

• Edited by Anne McElroy •

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People's United Financial Inc. to Acquire Chittenden Corporation

On July 27, People's United Financial Inc., the holding company for People's United Bank of Bridgeport, CT, announced a definitive agreement to acquire Chittenden Corporation of Burlington, VT, in a stock and cash transaction valued at \$1.9 billion. Subject to Chittenden shareholder and regulatory approval, the acquisition is expected to close in the first quarter of 2008.

People's United Bank is one of Connecticut's largest banks, with assets of \$14 billion and 160 branches across Connecticut. Chittenden Corporation has eight banking units throughout New England, including Chittenden Bank, the largest bank in Vermont. The combined company will have approximately \$22 billion in assets. (People's United Financial, Inc. press release, 6/27/07; Dow Jones, 6/27/07)

Mergers and Acquisitions

Bangor Savings Bank of Bangor, ME, is slated to acquire Pepperell Bank & Trust of Biddeford, ME, the banks announced on June 4, 2007. Under terms of the deal, Pepperell Bank & Trust will merge into Bangor Savings. Following the merger, Bangor Savings Bank will have an estimated \$2.2 billion in assets and \$1.6 billion in deposits and will be Maine's largest independent banking organization. (Bangor Savings/Pepperell Bank & Trust press release, 6/04/07; SNL Bank & Thrift Daily, 06/06/07)

On June 9, 2007, Chittenden Corporation of Burlington, VT, officially acquired Merrill Merchants Bank of Bangor, ME. The deal was originally announced in January 2007. (Internal sources, 6/15/07; SNL Bank & Thrift Weekly, 6/04/07)

Chittenden Corporation also announced, on June 6, 2007, an agreement with Community Bank and Trust Co. of Wolfeboro, NH. Under the terms of the deal, Community Bank will merge with and into Chittenden unit Ocean National Bank of Portsmouth, NH. The deal, estimated at \$124.1 million, should conclude in the fourth quarter of 2007. (SNL Bank & Thrift Weekly, Northeast Edition, 6/11/07)

First Citizen's Federal Credit Union of Fairhaven, MA, has agreed to acquire Cape Cod Gas Employees Federal Credit Union of Yarmouth, MA, as of July 1, 2007. (Cape Cod Times, 6/11/07)

Holyoke Credit Union of Holyoke, MA, acquired, through merger, Agawam Federal Credit Union of Agawam, MA, on June 1, 2007. (Internal sources, 6/08/07)

Lake Sunapee Bank, FSB of Newport, VT, completed its acquisition of First Brandon National Bank of Brandon, VT, on June 2, 2007. The transaction was a merger of First Brandon into Lake Sunapee Bank. In a related transaction, First Brandon Financial Corporation, holding company for First Brandon National Bank, was liquidated and its corporate existence voluntarily terminated on June 1, 2007. (Internal sources, 6/08/07; SNL Bank & Thrift Weekly, Northeast Edition, 6/11/07)

On June 7, 2007, Martha's Vineyard Co-operative Bank of Tisbury, MA, and Dukes County Savings Bank of Edgartown, MA, announced plans to merge. The combined bank will operate under the name of Martha's Vineyard Savings Bank, and will have \$460 million in assets. Subject to regulatory approval, the merger is expected to occur by the end of 2007. (Cape Cod Times, 6/07/07; SNL Bank & Thrift Weekly, Northeast Edition, 6/11/07)

Conversions/Bank Holding Companies

Marlborough Bancshares MHC, of Marlborough, MA, officially opened for business on June 5, 2007, and then acquired Marlborough Savings Bank, also of Marlborough, MA. Previously, Marlborough Savings Bank had successfully petitioned the Massachusetts Division of Banks to reorganize as Marlborough Bancshares, MHC. (Internal sources, 6/15/07; Massachusetts Division of Banks, 4/17/07)

Corporate Title Changes

Hampden Municipal Employees Federal Credit Union of Hamden, CT, changed its corporate title to Hamden Federal Credit Union on May 25, 2007. (Internal sources, 6/01/07)

On June 4, 2007, Hamilton Sundstrand Federal Credit Union changed its name to 360 Federal Credit Union. (National Credit Union Administration Notice, 6/04/07)

People's Bank of Bridgeport, CT, changed its name to People's United Bank as of the close of business on June 6, 2007. (People's United Financial Inc. press release, 6/07/07; SNL Bank & Thrift Daily, 6/08/07)

Branch Openings/Closures

OneUnited Bank, a Boston, MA, company ranked as the nation's second-largest black-owned bank, announced plans to open five new branches in Boston by the end of 2007. (Boston Globe, 6/12/07)

Salisbury Bancorp, Inc., of Lakeville, CT, received final regulatory approval for its unit Salisbury Bank and Trust Company to operate its first bank in New York. The new branch will be located in Dover Plains, NY. (SNL Bank & Thrift Daily, 6/19/07; Salisbury Bancorp press release, 6/15/07)

On June 11, 2007, Washington Trust Bancorp's unit, Washington Trust Co., of Westerly, RI, opened a 17th branch in Cranston, RI. (SNL Bank & Thrift Weekly, Northeast Edition, 6/18/07)

Maine Passes Predatory Lending Law

On June 11, 2007, Maine Governor John Baldacci signed into law a bill designed to curb predatory lending in the state. The law prohibits mortgage loan contracts from accelerating indebtedness to the borrower and bans loan contracts from mandating arbitration for complaints against lenders. The law also forces lenders to match borrowers only with loans they can truly afford, and prohibits rolling upfront cost and fees into a mortgage. Additionally, the law requires credit counseling for borrowers assuming high rate loans and increases the penalties to lenders that violate lending laws. (Boston Globe, 6/12/07; SNL Bank & Thrift Daily, 6/13/07)

Final Consumer Information Illustrations of Consumer Information Issued for "Exotic" Mortgage Products

On June 8, 2007, the federal bank, thrift and credit union regulatory agencies published final illustrations of consumer information associated with nontraditional mortgages. The illustrations should help institutions implement the consumer protection portion of the Interagency Guidance on Nontraditional Mortgage Product Risks, adopted by the agencies in October 2007.

The guidance sets forth recommended practices to ensure that consumers have clear and balanced information about nontraditional mortgages before choosing a mortgage product or selecting a payment option for an existing mortgage. The Reserve Board's press release on the illustrations and the final documents

are available online at: www.federalreserve.gov/boarddocs/press/bcreg/2007/20070531/default.htm. (FDIC Financial Institution Letter, 6/20/07; Federal Reserve Board Press Release; May 30, 2007)

FDIC Issues Affordable Small-Dollar Loan Products Guidelines

The FDIC has issued Affordable Small-Dollar Loan Guidelines that encourage financial institutions to offer small-dollar credit products and to promote these products to their customers. Issued on June 19, 2007, the guidelines encourage FDIC-insured institutions to offer affordable, but safe, small-dollar loan products with reasonable interest rates and no or low fees, with payments that reduce the principal balance of the loan. The guidelines are available online at: www.fdic.gov/news/news/financial/2007/fil07050.html. (FDIC Financial Institution Letter, 6/19/07)

FinCEN Announces Implementation Delay For Certain Revised Suspicious Activity Report (SAR) Forms

The Federal Reserve's Supervision and Regulation Letter (SL) 07-9, published on June 19, 2007, announced that the Financial Crimes Enforcement Network (FinCEN) has delayed implementing certain revised Suspicious Activity Report (SAR) forms that were scheduled to become effective on June 30, 2007, and mandatory on December 31, 2007. FinCEN will establish new effective and mandatory compliance dates for these revised forms in a future Federal Register notice.

FinCEN's announcement does not affect an institution's Bank Secrecy Act filing obligations. Institutions should continue to file using the current Suspicious Activity Report by Depository Institutions (Form TD F 90-22.47). The SR Letter is available online at: www.federalreserve.gov/boarddocs/srletters/2007/SR0709.htm. (Federal Reserve Board's SR 07-9, 06/19/07)

Federal Reserve Banks Outline Plan to Scale Back Check Processing Sites Nationwide

On June 26, 2007, the Federal Reserve Banks announced a multi-year plan that continues to scale back paper check processing infrastructure to match declining paper volumes. Since 2003, the Reserve Banks have reduced the locations where they process checks from 45 to 22, with one other site (Nashville) scheduled to discontinue operations this summer. Three other sites previously scheduled to discontinue check operations (Helena, San Francisco and Kansas City) will remain as print-only sites.

As part of a longer-range strategy, the Reserve Banks have selected Atlanta, Cleveland, Philadelphia, and Dallas, as regional processing sites that will operate at least through mid-2011. Seventeen other sites, including the

First District's Windsor Locks, CT, (WLO) check processing office, will have their operations scaled back to convert paper items to Check 21 images and print substitute checks or to print substitute checks only. WLO will be a print-only site.

The four regional processing sites will receive processing volumes from the other sites in a phased transition. Full-service check processing operations at WLO, for example, are slated to move to Philadelphia during the first quarter of 2009.

These changes will enable the Reserve Banks to continue to provide high-quality check processing services to depository institutions throughout the nation well into the future. In addition, the cost efficiencies associated with the plan will allow the Reserve Banks to meet the expectations of the 1980 Monetary Control Act. This act requires the Federal Reserve to set prices to recover, over

the long run, its total operating costs of providing payment services to financial institutions, as well as the imputed costs it would have incurred and the profits it would have expected to earn had the services been provided by a private business.

The Reserve Banks' strategy also is in line with the continuing shift in consumer and business preferences for electronic payments. These changes support the Banks' long-term business strategy to use the authority provided by Check 21 to collect more checks electronically, reducing the reliance on physical transportation of checks.

While both the volume of checks written and checks which are processed as traditional paper continue to decline dramatically, checks, in one form or other, will be around for some time to come. (Internal sources; Federal Reserve press release, 6/26/07)



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