

Federal Reserve Bank of Boston BANK NOTES

• Edited by Anne M. McElroy •

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Mergers and Acquisitions

Danvers Bancorp, Inc. of Danvers, MA, agreed on July 16, 2009, to acquire Beverly National Corp. of Beverly, MA. Danvers, the parent company of Danversbank, has 16 branches in Massachusetts' Middlesex, Essex, and Suffolk counties. Beverly National, the parent company of Beverly National Bank, has eight branches in Essex County.

When the deal is completed, Danvers will be the sixth largest publicly traded banking institution headquartered in Massachusetts with total assets of over \$2.2 billion. The merger is expected to conclude in the fourth quarter of 2009, pending regulatory and stockholder approvals. (*SNL Bank & Thrift Weekly, Northeast Edition, 6/22/09; Danvers Bancorp press release, 6/17/09*)

The Hartford Financial Services Group, Inc. (The Hartford) of Hartford, CT, completed its acquisition of Federal Trust Corp of Sanford, FL, for a consideration of \$10 million. Federal Trust will continue to operate under that name. The Hartford is an insurance based financial services company. (*SNL Bank & Thrift Daily, 6/25/09*)

Middlesex Savings Bank of Natick, MA, announced on July 1, 2009, that it had completed its acquisition of Strata Bank of Medway, MA. In a related deal on the same day, Strata Bank's parent entities, Service Bancorp MHC and Service Bancorp Inc. (MHC) merged into Middlesex Bancorp MHC. Middlesex Savings and Strata will continue to operate separately until operations are converted, and all Strata locations will open as Middlesex Savings Bank on August 17, 2009. (*Internal sources, 7/03/09; SNL Bank & Thrift Daily, 7/06/09*)

United Financial Bancorp, Inc. of West Springfield, MA, will acquire CNB Financial Corp. of Worcester, MA, in a deal valued at approximately \$25 million. CNB Financial's previously agreed-upon merger into Berkshire Hills Bancorp Inc. of Pittsfield, MA, was terminated, with Berkshire due a termination fee of \$970,000. (*SNL Bank & Thrift Weekly, Northeast Edition, 6/29/09*)

De novos

First Community Bank of New Haven, CT, (in organization) announced that it had received a charter from the Connecticut Department of Banking on June 19, 2009. The action clears the way for the bank to fulfill all of the remaining legal and regulatory requirements necessary for it to open for business in New Haven, CT, planned for early 2010. (*SNL De novo Watch, 6/30/09; First Community Bank press release 6/22/09*)

An organizing group has been established to form Sachem Bank, which will be based out of Madison, CT. The organizers plan to raise \$16 million in capital before opening two branches as soon as early 2010. Sachem Bank is planned to be chartered at the state level with publicly traded stock. (*Connecticut DOB website, SNL Bank & Thrift Weekly, Northeast Edition, 7/13/09*)

Financial Institution Relocations

Granite Savings Bank relocated to 247-249 Main Street in Rockport, MA, on June 29, 2009. (*Internal sources, 7/03/09*)

New England Bank relocated to 855 Enfield Street in Enfield, CT, on June 5, 2009. (*Internal sources, 7/03/09*)

On June 22, 2009, Webster First Federal Credit Union relocated to 271 Greenwood Street in Worcester, MA. (*Internal sources, 6/26/09*)

Conversions/Corporate Title Changes

Coastway Credit Union of Cranston, RI, converted from a state credit union to a mutual savings bank on July 1, 2009, and now operates as Coastway Community Bank. (*Internal sources, 7/03/09*)

Precision Credit Union of Keene, NH, converted from a state charter to a federal charter on July 8, 2009. Its name was then changed to Precision Federal Credit Union. (*Internal sources, 7/10/09*)

Timken Aerospace Credit Union converted from a state charter to a federal charter on June 20, 2009, and changed its corporate title to Timken Aerospace Federal Credit Union. (*Internal sources, 7/03/09*)

Agencies Issue FAQs on Identity Theft Rules

Six federal financial regulatory agencies issued a set of frequently asked questions (FAQs) on June 11, 2009, to help financial institutions, creditors, users of consumer reports, and issuers of credit cards and debit cards comply with federal regulations on identity theft and discrepancies in changes of address.

The rules require financial institutions and creditors to develop and implement written Identity Theft Prevention Programs and require issuers of credit cards and debit cards to assess the validity of notifications of changes of address, and provide guidance. Full details are online at www.federalreserve.gov/newsevents/press/bcreg/20090611a. (Federal Reserve press release, 6/11/09)

Banking Agencies Issue Host State Loan-to-Deposit Ratios

The Federal Reserve Board of Governors, the FDIC, and the Office of the Comptroller of the Currency on June 29, 2009, issued the host state loan-to-deposit ratios that the agencies will use to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, updating data released on June 26, 2008. Section 109 provides a process to test compliance with the statutory requirements. A bank that fails compliance is in violation of section 109 and is subject to sanctions by the appropriate banking agency. More information is available at www.federalreserve.gov/newsevents/press/bcreg/20090629a.htm. (*Federal Reserve press release, 6/29/09*)

Agencies Seek Comment of Proposed Interagency Guidance on Funding and Liquidity Risk Management

The federal bank, thrift, and credit union regulatory agencies are seeking comment on the proposed Interagency Guidance on Funding and Liquidity Risk Management. The federal financial agencies are issuing this guidance to communicate consistent expectations on sound practices for the management of funding and liquidity risks, and to strengthen liquidity risk-management practices. Recent turmoil in the financial markets emphasizes the importance of good liquidity risk management for the safety and soundness of financial institutions.

The proposed guidance emphasizes the importance of cash flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal, well-developed contingency funding plan for measuring, monitoring, and managing liquidity risk. The proposed

guidance, when finalized, will apply to all domestic financial institutions, including banks, thrifts, and credit unions. Comments must be submitted on or before September 4, 2009. More details are available at www.federalreserve.gov/newsevents/press/bcreg/20090630a.htm. (*Federal Reserve Press Release, 6/20/09*)

Federal Reserve Extends and Modifies a Number of Its Liquidity Programs

The Federal Reserve on June 25, 2009, announced extensions of and modifications to a number of its liquidity programs. To promote financial stability and support the flow of credit to households and businesses, the Federal Reserve is extending a number of facilities through early 2010.

Specifically, the Board of Governors approved extension through February 1, 2010, of the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF), the Commercial Paper Funding Facility (CPFF), the Primary Dealer Credit Facility (PDCF), and the Term Securities Lending Facility (TSLF). The expiration date for the Term Asset-Backed Securities Loan Facility (TALF) currently remains set at December 31, 2009. The Term Auction Facility (TAF) does not have a fixed expiration date.

In addition, the temporary reciprocal currency arrangements (swap lines) between the Federal Reserve and other central banks have been extended to February 1. The Federal Reserve action to extend the swap lines was taken by the FOMC. The Federal Reserve also announced changes to certain liquidity programs, trimming the size of upcoming TAF auctions.

Due to very weak demand at TSLF Schedule 1 auctions and TSLF Options Program auctions over recent months, auctions under these programs will be suspended. The frequency of Schedule 2 TSLF auctions will be reduced to one every four weeks and the offered amount will be reduced. The Money Market Investor Funding Facility (MMIFF) was not extended, and an additional administrative criterion was established for use of the AMLF.

If market conditions make it necessary, the Federal Reserve will increase the size of TAF auctions and resume TSLF operations that have been suspended. For more information, visit www.federalreserve.gov/newsevents/press/monetary/20090625a.htm. (*Federal Reserve press release, 6/25/09*)

Agencies Issue Interim Final Rule Under the Making Home Affordable Program

The federal bank and thrift regulatory agencies on June 26, 2009, invited public comment on an interim final rule that provides that mortgage loans modified under the U.S. Department of the Treasury's Making Home

Affordable Program (MHAP) will retain the risk weight applicable before modification.

The interim final rule, by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, FDIC, and Office of Thrift Supervision, took effect on June 30, 2009. Comments must be submitted before July 30, 2009. For more information, please visit www.federalreserve.gov/newsevents/press/bcreg/20090626a.htm. (*Federal Reserve press release, 6/26/09*)

Joint Statement by Treasury, Federal Reserve, and FDIC on Legacy Securities Public-Private Investment Program

The Financial Stability Plan, announced in February, outlined a framework to bring capital into the financial system and address the problem of legacy real estate-related assets.

On March 23, 2009, the Treasury Department, the Federal Reserve, and the FDIC announced the detailed designs for the Legacy Loan and Legacy Securities Programs. Since then, the agencies have been working jointly to put in place the operational structure for these programs, including guidelines to ensure that the taxpayer is adequately protected, addressing compensation matters, setting program participation limits, and establishing stringent conflict of interest rules and procedures.

On July 8, 2009, the Treasury Department, the Federal Reserve, and the FDIC issued a statement on the continued progress on implementing these programs including Treasury's launch of the Legacy Securities Public-Private Investment Program. Detailed information on the programs is available at www.financialstability.gov/latest/tg_07082009.html. (*Interagency release, 7/08/09*)

President and U.S. Treasury Announce Comprehensive Plan for Regulatory Reform

On June 17, 2009, President Obama laid out a comprehensive regulatory reform plan to modernize and protect the integrity of the nation's financial system. The official written announcement stated that while the "crisis has had many causes, it is clear now that the government could have done more to prevent these problems from growing out of control and threatening our overall economy."

The President's plan will:

- Require that all financial firms that pose a significant risk to the financial system at large are subjected to strong consolidated supervision and regulation;
- Increase market discipline and transparency to make our markets strong enough to withstand system-wide stress and the potential failure of one or more large financial institutions;
- Rebuild trust in our markets by creating the Consumer Financial Protection Agency to focus exclusively on protecting consumers in credit, savings, and payment markets;
- Provide the government with the tools needed to manage financial crises so it is not forced to choose between bailouts and financial collapse; and
- Raise international regulatory standards and improve international coordination.

The announcement is available on the Treasury's website at: www.financialstability.gov/latest/tg_06172009.html, as is a detailed white paper on Financial Regulatory Reform and several fact sheets associated with the goals of the program. (*Presidential/Treasury press release, 6/17/09*)



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

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