Federal Reserve Bank of Boston

BANK NOTES

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Mergers and Acquisitions

Weston, MA-based **Turnpike Credit Union** merged into South Boston, MA-based **Mass Bay Credit Union** effective June 28, 2010. *(Internal sources, 7/2/10)*

Boston, MA-based **Eastern Bank Corp.** announced on June 29, 2010, that it had signed a definitive agreement to acquire Boston-based **Wainwright Bank & Trust Co**. The deal is expected to close in the fourth quarter of 2010, subject to certain customary conditions, including shareholder and regulatory approvals. Wainwright Bank & Trust Co. is expected to remain a separate subsidiary of Eastern Bank Corp. for a transition period before it is merged into **Eastern Bank (MHC)**. *(SNL B&T Weekly Northeast 7/6/10)*

Bridgeport, CT-based **People's United Financial, Inc.**, the holding company for **People's United Bank**, announced on July 15, 2010, that it had definitive agreements to acquire North Andover, MA-based **RiverBank**, a subsidiary of **LSB Corporation**, as well as Hauppauge, NY-based **Bank of Smithtown**, a subsidiary of Smithtown Bancorp, Inc. Both transactions are subject to approval by bank regulatory authorities and by the shareholders of Smithtown Bancorp and LSB Corporation, respectively. Both transactions are expected to close in the fourth quarter of 2010). *(Press Release, 7/15/10)*

Bank Reorganization

On July 7, 2010, **New England Bancorp, Inc., BHC** was formed through the reorganization of Hyannis, MA-based **Bank of Cape Cod**. New England Bancorp, Inc. acquired Bank of Cape Cod. *(Internal sources, 7/16/10)*

Bank Openings

Taunton, MA-based **Beacon Bancorp** unit **Bristol County Savings Bank** opened a full-service branch on June 7, 2010, its first within New Bedford, MA, at 1307 Ashley Boulevard. *(Internal sources, 7/16/10, Press Release, 6/4/10)*

Salem, NH-based **Salem Co-operative Bank** opened a full-service branch on June 18, 2010, at 280 Merrimack Street in Methuen, MA. *(Internal sources, 7/16/10)*

On July 22, 2010, Lakeville, CT-based **Salisbury Bank** announced that it will relocate its 73 Main Street office in Sheffield, MA, effective August 2, 2010, to a larger location one mile north at 640 North Main Street (Rte. 7) in Sheffield, MA. *(SNL B&T Weekly Northeast 7/26/10, Press Release 7/22/10)*

Annual Adjustment of Fee-based Trigger for Additional Mortgage Loan Disclosures

On July 30, 2010, the Federal Reserve Board published its annual adjustment of the dollar amount of fees that triggers additional disclosure requirements under the Truth in Lending Act and the Home Ownership and Equity Protection Act of 1994 for home mortgage loans that bear rates or fees above a certain amount. The dollar amount of the fee-based trigger has been adjusted to $592 for 2011, based on the annual percentage change reflected in the Consumer Price Index that was in effect on June 1, 2010.

The adjustment is effective January 1, 2011. This adjustment does not affect the rules for "higher-priced mortgage loans" adopted by the Board in July 2008. Coverage of mortgage loans under the July 2008 rules is determined using a different rate-based trigger.

The Home Ownership and Equity Protection Act restricts credit terms such as balloon payments and requires additional disclosures when total points and fees payable by the consumer exceed the fee-based trigger -- initially set at $400 and adjusted annually -- or 8 percent of the total loan amount, whichever is larger. The Board's notice is available at http://www.federalreserve.gov/newsevents/press/bcreg/20100730a.htm. (*Reserve Board Press Release, 7/30/10)*

Federal Agencies Issue Final Rules to Implement S.A.F.E. Act Requirements for Registration of Mortgage Loan Originators

Federal agencies issued final rules on July 28, 2010, that require residential mortgage loan originators who are employees of national and state banks, savings associations, Farm Credit System institutions, credit unions, and certain of their subsidiaries (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 final rules were issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Thrift Supervision, Farm Credit Administration, and National Credit Union Administration.

The S.A.F.E. Act requires residential mortgage loan originators who are employees of agency-regulated institutions to be registered with the Nationwide Mortgage Licensing System and Registry ("registry"). The registry is a database created by the Conference of State Bank Supervisors 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, residential mortgage loan originators must furnish to the registry information and fingerprints for background checks. The S.A.F.E. Act generally prohibits employees of agency-regulated institutions from originating residential mortgage loans unless they register with the registry.

The agencies' final rules establish the registration requirements for residential mortgage loan originators employed by agency-regulated institutions, and the requirements for these institutions, including the adoption of policies and procedures to ensure compliance with the S.A.F.E. Act and final rules. As required by the S.A.F.E. Act, the final rules also require that each residential mortgage loan originator obtain a unique identifier through the registry that will remain with that residential mortgage loan originator, regardless of changes in employment. This will enable consumers to easily access employment and other background information about registered mortgage loan originators from the registry. Under the final rules, registered mortgage loan originators and agency-regulated institutions must provide these unique identifiers to consumers.

The final rules take effect on October 1, 2010. The agencies anticipate that the registry could begin accepting federal registrations as early as January 28, 2011. Employees of agency-regulated institutions must not register until the agencies instruct them to do so. The agencies will provide an advance announcement of the date when the registry will begin accepting federal registration. Agency-regulated institutions and their applicable employees will have 180 days from that date to comply with the initial registration requirements. The *Federal Register* notice and final rules are available http://www.federalreserve.gov/newsevents/press/bcreg/20100728a.htm. (*Reserve Board Press Release, 7/28/10)*

Federal Reserve Announces Agreement with the Treasury Department regarding a Reduction of Credit Protection Provided for the Term Asset-Backed Securities Loan Facility (TALF)

The Federal Reserve Board announced on July 20, 2010, that it had agreed with the Treasury Department that it was appropriate for Treasury to reduce the credit protection provided for the Term Asset-Backed Securities Loan Facility (TALF) under the Troubled Asset Relief Program (TARP) from $20 billion to $4.3 billion. The Board had authorized up to $200 billion in TALF loans, but when the program closed on June 30, 2010, there were $43 billion in loans outstanding.

Under the TALF, which began operation in March 2009, the Federal Reserve Bank of New

York extended loans to investors in highly rated asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS). By encouraging issuance of ABS and CMBS, the TALF was designed to increase credit availability and support economic activity. Although the TALF extended $70 billion in loans, many TALF loans, which have initial maturities of three or five years, have been repaid early, in part because the interest rates on TALF loans were designed to be higher than market rates in the more normal conditions that have come to prevail in a number of securitization markets.

Any losses on the TALF program would first be absorbed by the accumulated excess of the TALF loan interest payments over the Federal Reserve's cost of funds, and then by the TARP funds. To date, the TALF program has experienced no losses, and all outstanding TALF loans are well-collateralized. The Board continues to see it as highly likely that the accumulated excess interest spread will cover any loan losses that may occur without recourse to the dedicated TARP funds. (*Reserve Board Press Release, 7/20/10)*

Regulators Issue Statement to Assist Financial Institutions and Customers Affected by the Deepwater Horizon Oil Spill

The federal financial regulatory agencies and the Conference of State Bank Supervisors (“the regulators”) issued a statement on July 14, 2010, to assist financial institutions and those of their customers affected by the Deepwater Horizon Mobile Offshore Drilling Unit explosion and oil spill in the Gulf of Mexico.

The regulators' statement emphasizes that financial institutions are encouraged to work with their customers, and to consider measures to assist creditworthy borrowers affected by the Gulf oil spill. Such measures can help customers recover financially and be better positioned to honor their obligations. In the affected areas, these efforts can also contribute to the health of local communities and the long-term interests of institutions and their customers.

Consistent with the regulators' long-standing practice of assessing the financial condition of institutions directly affected by natural and other disasters, examiners will consider the unusual circumstances of banks and credit unions in affected areas in determining the appropriate supervisory response to safety-and-soundness issues.

The regulators are committed to working with the industry to respond to issues that arise in the aftermath of the Gulf oil spill and to minimize disruption and the burden on banks and credit unions in affected areas. More details relating to this statement are available at http://www.federalreserve.gov/newsevents/press/bcreg/20100714a.htm. (*Reserve Board Press Release, 7/14/10)*