

Federal Reserve Bank of Boston BANK NOTES

• Edited by Jason Wild •

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Connecticut Thrifts to Merge

On August 6, 2003, Ridgefield Bank, Ridgefield, CT, announced that it has agreed to merge with Fairfield County Savings Bank, Norwalk, CT. No cash or other considerations will be exchanged. It will be the first merger for both companies, which were founded in the 1870s. Upon the completion of the merger, the two companies will operate as divisions of Fairfield County Bancorp, but will retain their current names and remain mutual institutions.

The combined company will have nearly \$1 billion in assets and will operate 14 branches in Fairfield County, where it will rank seventh in deposit share. The CEOs of both institutions commented that the larger company will increase their competitive position. Ridgefield CEO Gary Smith said, "This is a highly competitive market and it helps us to be larger because we can make larger loans and handle more complex credits." The deal is expected to close in the fourth quarter of this year.

As of June 30, 2002, Ridgefield Bank had total deposits of \$471.7 million and ranked 21st among all commercial bank and thrift institutions in Connecticut. As of the same date, Fairfield County Savings Bank had total deposits of \$265.1 billion and ranked 33rd.

(SNL Bank & Thrift Weekly, 8/11/03;
American Banker, 8/8/03, 8/11/03)

Merger Completion

Effective August 1, 2003, Cambridgeport Bank, Cambridge, MA, merged with and into Citizens Bank of Massachusetts, Boston, MA, under the charter and title of Citizens. The transaction represents the completion of the merger between the banks' parent companies, Port Financial Corp., Brighton, MA, and Royal Bank of Scotland Group, Edinburgh, Scotland, which was announced in April.

As of June 30, 2002, Royal Bank of Scotland Group had total deposits of \$14.8 billion and ranked 3rd among all commercial bank and thrift institutions in Massachusetts. As of the same date, Port Financial had total deposits of \$1.1 billion and ranked 14th.

(Internal Notice, 8/6/03)

Branch Openings

The First National Bank of Litchfield, Litchfield, CT, opened its branch located at 397 Main Street, Torrington, CT, on March 5.

On June 30, Eagle Bank, Everett, MA, opened its branch located at 1768 Massachusetts Avenue, Lexington, MA.

Martha's Vineyard Cooperative Bank, Vineyard Haven, MA, opened its branch located at 14 Oak Bluffs Avenue, Oak Bluffs, MA, on July 15.

On July 21, Dedham Institute for Savings, Dedham, MA, opened its branch located at 1077 Great Plain Avenue, Needham, MA.

Haverhill Cooperative Bank, Haverhill, MA, opened its branch located at 1094 Main Street, Haverhill, MA, on July 25.

Also on July 25, Bank of Westport, Westport, CT, opened its branch located at 1312 Post Road, Fairfield, CT.

On August 1, Asian American Bank & Trust Company, Boston, MA, opened its branch located at 227 Quincy Avenue, Quincy, MA.

Century Bank & Trust Company, Somerville, MA, opened two branches in Boston, MA, on August 15. The branches are located at 500-528 and 771 Commonwealth Avenue.

On August 17, Farmington Savings Bank, Farmington, MA, opened its branch located at One Center Street, Southington, CT.

(Internal Notice, 8/8/03, 8/19/03, 8/20/03; CT DOB, 7/29/03)

Branch Relocation

On July 28, Union Savings Bank, Danbury, CT, relocated its branch from 247 Federal Road to 828-834 Federal Road, Brookfield, CT.

(CT DOB, 8/5/03)

Branch Closing

On May 9, Legacy Banks, Pittsfield, MA, closed its Price Chopper Supermarket Branch located at 555 Hubbard Avenue, Pittsfield, MA.

(Internal Notice, 8/20/03)

Camden National Enters Credit Card Alliance

On August 14, Camden National Corporation, Camden, ME, announced that it has signed a definitive agreement to sell its consumer and business credit card portfolios to Elan Financial Services, a subsidiary of U.S. Bancorp, Minneapolis, MN.

Camden President and CEO Robert Daigle noted, "We entered into this strategic partnership with Elan to offer our consumer and business customers expanded product options while maintaining the same high level of performance and service we value. To this end, the name and logo of Camden National Bank or UnitedKingfield Bank will continue to appear on all cards issued through this partnership."

The sale is expected to close in the fourth quarter of 2003.

(SNL Bank & Thrift Weekly, 8/18/03; Camden PR, 8/14/03)

Banknorth to Acquire CT Insurance Company

Banknorth Group, Portland, ME, announced on August 14 that it has agreed to acquire commercial insurance agency Bogino & DeMaria Inc., Avon, CT. The agency provides property and casualty insurance products for personal and commercial clients, specializing in insurance and surety bonds for the construction industry.

Banknorth Insurance Group's CEO, Peter Sparta said, "With this merger, we will be able to serve more customers in and around Hartford, enhancing our visibility in one of the state's most vibrant areas." The group currently operates in the Hartford area through The Watson Group, which it purchased in September 2000. Thomas Willsey, president of Banknorth Insurance's Connecticut operations, commented, "We are particularly excited about the opportunity to enhance our surety bond business as well as develop cross-selling opportunities for life and employee benefits." This is the second insurance deal for Banknorth in the last two months. In July the company announced it had purchased Field & Quimby Inc., Belfast, ME. In addition to Connecticut and Maine, Banknorth operates insurance agencies in New Hampshire, New York, and Vermont.

Financial terms of the deal were not disclosed.

(SNL Bank & Thrift Weekly, 8/25/03; Banknorth PR, 8/14/03)

Regulators Propose Identity Theft Guidance

The Federal Reserve, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision released proposed guidance on August 12 that would require financial institutions to respond to incidents of unauthorized access to customer information as well as to notify customers when such events occur.

The guidance states that "an institution should notify affected customers when it becomes aware of unauthorized access to sensitive customer information unless the institution, after an appropriate investigation, reasonably concludes that misuse is unlikely to occur and

takes appropriate steps to safeguard the interests of affected customers, including monitoring affected customers' accounts for unusual or suspicious activity."

Comments on the proposal will be accepted until October 14.

(Federal Reserve PR, 8/12/03; SNL Bank & Thrift Weekly, 8/18/03)

OCC's Proposed Rule Addresses Preemption and Predatory Lending

On July 31, The Office of the Comptroller of the Currency (OCC) issued a proposed regulation that addresses the applicability of state laws to national banks and anti-predatory lending standards. The proposal came as part of the agency's announcement that federal regulations preempt the Georgia Fair Lending Act.

The anti-predator rule would bolster other guidelines the OCC introduced earlier this year. OCC Chief Counsel Julie Williams said the rule would establish "a uniform, nationally applicable predatory lending standard for all types of loans, anywhere in the country." The proposed rule would prohibit national banks from making loans that they cannot reasonably expect to be repaid without recourse to the borrower's collateral — a practice that Comptroller of the Currency John D. Hawke called "one of the defining characteristics of predatory lending." Mr. Hawke said that with the proposed rule, he believes the agency has "found a better way to combat abusive predatory lending practices and [he] would invite state regulators to apply similar standards to the institutions they supervise."

The same proposal addresses the extent to which state laws govern national bank activities, specifically real estate lending, non-real estate lending, and deposit taking. The agency concludes that federal statutes preempt state laws regarding licensing, terms of credit, interest rates, escrow accounts, and disclosure. The rule also specifies that laws regarding contracts, debt collection, taxation, zoning, crimes, and other laws that "interfere to only an insignificant extent with a national bank's real estate lending powers" would not be preempted. In reference to laws that govern activities other than real estate lending, "the proposed regulation provides that state laws do not apply to national banks if they obstruct, in whole or in part, or condition a national bank's ability to exercise fully the powers authorized it under federal law."

The proposal is expected to be published in the Federal Register soon and would be open for comments for 60 days after that.

(SNL Bank & Thrift Weekly, 8/4/03;

American Banker, 8/1/03; OCC PR, 7/31/03)

OTS Announces Thrift Earnings

On August 20, the Office of Thrift Supervision (OTS) announced that the nation's thrift industry earned \$3.54 billion in the second quarter of 2003. The total is a 6% increase from the first quarter and marks the fourth consecutive quarter of earnings growth.

OTS Director James Gilleran said, "The favorable interest rate environment of the past year has sustained a mortgage refinance boom that has helped the thrift industry to a series of records for earnings, profitability, and capital." Mortgage originations in the quarter totaled \$215 billion, up 22% from the first quarter of the year.

Credit quality remained strong during the quarter. The OTS attributed the strength to the industry's concentration in residential lending and limited exposures in commercial lending. The number of problem thrifts declined to 8 from 12, and the assets of problem thrifts decreased by \$2.4 billion. Mr. Gilleran noted, "The industry has continued to maintain excellent asset quality during the past year. Over 99 percent of the industry was well capitalized at the end of the quarter, and no thrift was less than adequately capitalized for the second consecutive quarter."

(SNL Bank & Thrift Weekly, 8/25/03; OTS PR, 8/20/03)

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 endorsement of the accuracy, opinions or policies reflected in the subject matter.

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