Federal Reserve Bank of Boston

BANK NOTES

• Edited by Anne M. McElroy •
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Mergers and Acquisitions

Boston Private Financial Holdings of Boston, MA, sold of Coral Gables, FL, to a group of investors for $93 million in cash. The deal was announced on Gilbraltar Private Bank & Trust Company September 17, 2009. *(SNL Bank M&A Weekly, 9/21/09)*

The stockholders of **Danvers Bancorp Inc.** of Danvers, MA, approved the proposed acquisition of **Beverly National Corp.** of Beverly, MA, on October 9, 2009. The approval came at a special meeting of Danvers Bancorp stockholders held the same day. On October 8, 2009, Beverly National shareholders approved the planned deal, which was given regulatory approval in late August and early September.

The original Agreement and Plan of Merger between Danvers and Beverly National Corporation was announced on June 16, 2009. Under the agreement, Beverly National Corporation will merge with and into Danvers. Danvers Bancorp expects the merger to be completed on or about Oct. 30, pending additional regulatory approvals and certain other closing conditions. *(SNL Bank & Thrift Daily, 10/12/09)*

On October 1, 2009, officials of **KV Federal Credit Union** and **Kennebec Savings Bank**, both of Augusta, ME, confirmed that members of KV Federal Credit Union had rejected a proposal for the two entities to merge. The potential deal, first announced in September 2008, would have been the first between a bank and a credit union in Maine, and among the first 20 of its kind nationally. *(SNL Bank & Thrift Daily, 10/2/09; Kennebec Journal, 10/2/09)*

TD Bank, NA, of Wilmington, DE, changed the name of 426 branches in New England and upstate New York from "**TD Banknorth**" to "**TD Bank**" over the weekend of September 26 and 27, 2009. The name change brings 1,000 TD Bank locations from Maine to Florida under the same banner. TD Bank's parent company, **TD Bank Financial Group** of Toronto, Canada, purchased the former **Commerce Bank of** Cherry Hill, NJ, and rebranded it "**TD Bank, America's Most Convenient Bank,**" in November 2008. *(Philadelphia Inquirer, 9/26/09; SNL Bank M&A Weekly, 9/21/09)*

Financial Institution Relocation

On September 14, 2009, St. Jean's Credit Union relocated from 527 Western Avenue in Lynn, MA, to 250 Maple Street in Lynn, MA. *(Internal sources, 10/02/09)*

Corporate Title Change

Vermont VAF Employees Federal Credit Union, of White River Junction, VT, changed its corporate title to Vermont VA Federal Credit Union on September 30, 2009. *(Internal sources, 10/02/09)*

Credit Quality Declines in Annual Shared National Credits Review

Credit quality declined sharply for loan commitments of $20 million or more held by multiple federally supervised institutions, according to the 32nd annual review of Shared National Credits (SNC).

The credit risk of these large loan commitments was shared among U.S. bank organizations, foreign bank organizations (FBOs), and nonbanks such as securitization pools, hedge funds, insurance companies, and pension funds. Credit quality deteriorated across all entities, but nonbanks held 47 percent of classified assets in the SNC portfolio, despite making up only 21.2 percent of the SNC portfolio. U.S. bank organizations held 30.2 percent of the classified assets and made up 40.8 percent of the SNC portfolio.

The 2009 review covered 8,955 credits totaling $2.9 trillion extended to approximately 5,900 borrowers. Loans were reviewed and categorized by the severity of their risk (special mention, substandard, doubtful, or loss) in order of increasing severity. The lowest risk loans, special mention, had potential weaknesses that deserve management attention to prevent further deterioration at the time of review. The most severe category includes loans that were considered uncollectible.

The complete report, published jointly by the Federal Reserve Board, the OTC, the OCC, and the FDIC, is available online at www.federalreserve.gov/newsevents/press/bcreg/20090924a.htm. *(Joint press release, 09/24/09)*

Revisions to Regulation S (Reimbursement to Financial Institutions for Providing Financial Records; Recordkeeping Requirements for Certain Financial Records)

On September 24, 2009, the Federal Reserve Board issued a revision to Regulation S, which sets the rates and conditions under which a government agency must reimburse a financial institution for costs incurred in producing customer financial records under the Right to Financial Privacy Act.

The revision, which becomes effective January 1, 2010, changes Regulation S in several ways. Most significantly, the personnel fees chargeable for searching and processing document requests are increased substantially. The amendments also encourage electronic document productions, include a mechanism for automatically updating the labor rates found in the regulation every three years, and make other technical changes to the rule.

More information is available at www.federalreserve.gov/newsevents/press/bcreg/20090924b.htm. *(Federal Reserve press release, 9/24/09)*

Board Proposes Rules Amending Credit Card Provisions of Regulation Z (Truth in Lending)

The Federal Reserve Board on September 29, 2009, proposed rules amending Regulation Z to protect consumers who use credit cards. "This proposal is another step forward in the Federal Reserve's efforts to ensure that consumers who rely on credit cards are treated fairly," said Federal Reserve Governor Elizabeth A. Duke. "The rule bans several harmful practices and requires greater transparency in the disclosure of the terms and conditions of credit card accounts."

The proposed rule has several distinct prohibitions on creditors and represents the second stage of the Federal Reserve's implementation of the Credit Card Act. On July 15, 2009, the Board issued an interim final rule implementing the provisions of the Credit Card Act that went into effect on August 20, 2009. The proposed rule would implement the provisions that go into effect on February 22, 2010. The remaining provisions of the Credit Card Act go into effect on August 22, 2010, and will be implemented by the Federal Reserve at a later date.

Detailed information on the proposed rules is available online at www.federalreserve.gov/newsevents/press/bcreg/20090929a.htm. *(Federal Reserve Board press release, 9/29/09)*

FDIC Board Approves Proposed Rule to Seek Prepayment of Assessments

The Board of Directors of the FDIC on September 29, 2009, adopted a Notice of Proposed Rulemaking (NPR) that would require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011, and 2012. Financial institutions would need to prepay the assessments on December 30, 2009, along with their risk-based deposit insurance assessment for the third quarter of 2009.

The FDIC estimates that the total prepaid assessments collected would be approximately $45 billion. The FDIC Board also voted to adopt a uniform three-basis-point increase in assessment rates effective on January 1, 2011, and extend the restoration period from seven to eight years. Comments must be received on or before October 28, 2009.

Detailed information on how the assessment will impact insured institutions is available in the FDIC's Financial Institution Letter of September 30, 2009, at www.fdic.gov/news/news/financial/2009/fil09058.html. *(FDIC press release 9/29/09; FDIC FI FIL-58-2009, 9/30/09)*

NCUA Board Approves $1 Billion Assessment on All Federally Insured Credit Unions

On September 24, 2009, the National Credit Union Administration (NCUA) approved a $1.06 billion assessment for all credit unions, with additional assessments expected for the next two years. The premium has two parts, including a 1.027 percent premium assessment to increase the National Credit Union Share Insurance Fund (NCUSIF) and an assessment of 0.473 percent to repay a portion of the Temporary Corporate Credit Union Stabilization Fund.

The NCUSIF portion of the assessment totals $727.5 million and will maintain the NCUSIF at its normal operating level of 1.30 percent. The Stabilization Fund assessment totals $337.8 million and will begin to repay the liability associated with the corporate credit union stabilization plan, including $310 million of the $1 billion in funds borrowed from the U.S. Treasury and cash to pay accrued interest that is due in June 2010. Credit unions are scheduled to receive an invoice no later than mid-November 2009, with payment due no later than mid-December 2009. *(NCUA Board Action Bulletins, 2009; Credit Union Journal, 24, 2009)*

Agencies Request Comment on Proposed Correspondent Concentration Risks Guidance

On September 29, 2009, the federal financial institution regulatory agencies (the FDIC, the Federal Reserve Board, the OCC, and the OTS) requested comments on a proposed Correspondent Concentration Risks guidance. The proposed guidance addresses supervisory matters relating to identifying, monitoring, managing, and performing appropriate due diligence of correspondent concentration risks. The proposed guidance establishes that managers of financial institutions should:

- Implement procedures to identify the totality of an institution's aggregate credit and funding exposures to other institutions and their affiliates;
- Specify what information, ratios, or trends will be reviewed for each correspondent;

- Set prudent correspondent concentration limits, establish ranges or tolerances for each factor being monitored, and develop plans for managing risks when these limits, ranges or tolerances are met or exceeded, either individually or collectively; and
- Conduct an independent analysis before entering into any credit or funding transactions with another financial institution.

Comments are required by October 25, 2009. More information, including how to submit comments, is available online at www.fdic.gov/news/news/financial/2009/fil09055.html. *(FDIC FIL-55-2009, 9/25/09)*

SEC Passes Measures to Strengthen Oversight of Credit Rating Agencies

On September 17, 2009, the Securities and Exchange Commission (SEC) voted unanimously to take several rulemaking actions to bolster oversight of credit ratings agencies by enhancing disclosure and improving the quality of credit ratings. The new rules require credit agencies to disclose more information regarding their ratings history, and require that banks share the data used to rate financial products with all credit agencies. `

The SEC also voted to solicit comments as to whether securities law should classify credit agencies as "experts," which would make them subject to more stringent liability standards. Several other rule changes were proposed, including requiring banks to make public all preliminary ratings received from credit agencies.

For more information on the September 17 actions, including instructions on submitting comments, please view the SEC's press release at www.sec.gov/news/press/2009/2009-200.htm. *(Sources: SEC press release, 9/17/09; SNL Bank & Thrift Daily, 9/18/09)*

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