

Federal Reserve Bank of Boston BANK NOTES

• Edited by Anne M. McElroy •
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Mergers and Acquisitions

Bridgewater Financial MHC unit **Bridgewater Savings Bank** (\$398.4 million) of Raynham, MA, and **East Bridgewater Savings Bank** of East Bridgewater, MA, announced on October 14, 2009, that the two companies will merge. Because the two companies are mutuals, there will be no consideration exchanged in the deal. East Bridgewater will merge with and into Bridgewater Savings. The resulting bank will operate as Bridgewater Savings Bank. The combined bank will operate eight branches in Massachusetts' Plymouth County and two branches in Bristol County. No date for completion of the merger was announced, and the deal is subject to approval by the banks' corporators and regulators. (*SNL Bank & Thrift Weekly, Northeast Edition, 10/19/09*)

United Financial Bancorp, Inc. (\$1.25 billion) of Springfield, MA, announced on November 12, 2009, that it had received regulatory approval to acquire **CNB Financial Corp.** (\$287.4 million) of Worcester, MA. The merger is anticipated to close on or about November 30. (*SNL Bank & Thrift Daily 11/13/09; CNB Financial press release, 11/12/09*)

People's United Financial, Inc., the holding company for **People's United Bank**, both of Bridgeport, CT, announced on November 23 that it had entered into a definitive agreement to acquire **Financial Federal Corporation** of New York, NY, in a stock and cash transaction valued at approximately \$738 million.

Completion of the transaction is subject to customary closing conditions, including the approval of the shareholders of Financial Federal Corporation.

The deal is expected to close in the first quarter of 2010. People's United expects the transaction to be significantly accretive to operating earnings in 2010 and to have an IRR greater than 20%.

While the industry has been expecting People's United to make an acquisition, many analysts had expected the deal to involve a depository institution.

And, People's President and CEO Philip Sherringham, in the release announcing the Financial Federal deal, suggested more deals were on his radar. "This transaction generates meaningful earnings accretion without diluting our capital ratios, which will continue to provide us with tremendous strategic flexibility in today's

volatile markets," the statement read. (*People's United press release, 11/23/09; American Banker 11/24/09; SNL Bank & Thrift Daily, 11/24/09*)

Union Savings Bank of Danbury, CT, announced on October 26 that it had entered into an agreement to purchase **First Litchfield Financial Corporation** of Litchfield, CT. The aggregate value of the deal is estimated to be about \$36.9 million. With the merger, expected to close in the first quarter of 2010, Union Savings Bank will enter Connecticut's Hartford County and extend its reach in Litchfield County with eight additional branches. (*SNL Bank & Thrift Weekly, Northeastern Edition, 11/02/09*)

Union Federal Savings Bank of North Providence, RI, a subsidiary of **The First Marblehead Corporation**, on November 19, 2009, completed the sale of all its remaining private education loans held for sale.

As a result of the sale, Union Federal no longer carries any private education loans on its balance sheet. Sale proceeds to Union Federal were approximately \$3.7 million. The loans, which had an aggregate carrying value of approximately \$6.6 million as of September 30, 2009, were purchased by a newly formed trust affiliated with First Marblehead.

First Marblehead has announced that it is examining strategic alternatives for Union Federal, including a potential sale. (*SNL Bank & Thrift Daily, 11/20/09; First Marblehead press release, 11/19/09*)

Hampshire First Bank of Manchester, NH, a subsidiary of **Meridian Interstate Bancorp**, of East Boston, MA, purchased certain assets and assumed certain liabilities of the **First National Bank of Ipswich** on November 4, 2009. Specifically, a branch located at 77 Hanover Street in Portsmouth, NH, was transferred to Hampshire First Bank. (*Internal sources, 11/20/09*)

On October 31, 2009, **Walpole Municipal Employees Credit Union** of Walpole, MA, merged into **Rockland Federal Credit Union** of Rockland, MA. (*Internal sources, 11/06/09*)

New England United Methodist Federal Credit Union of Westbrook, ME, merged into **United Methodist Federal Credit Union** of Montclair, CA, on October 31, 2009. (*Internal sources, 11/06/09*)

Branch Opening

Optima Bank & Trust Company of Portsmouth, NH, opened a branch at 26 Lafayette Road in Northampton, NH, on November 2, 2009. (*SNL Bank M&A Weekly*, 11/09/09; *Optima Bank & Trust press release*, 11/04/09)

Corporate Title Changes

On July 30, 2009, **Brattleboro Savings & Loan, F.A.** changed its corporate title to **Brattleboro Savings and Loan**. (Internal sources, 11/20/09)

Conversion

Bank of America Rhode Island, NA of Providence, RI, an entity of **Bank of America Corporation** of Charlotte, NC, converted from a banker's bank to a regular national bank on November 2, 2009. (Internal sources, 11/06/09)

Liquidation of Non-Deposit Trust Companies

Congress Trust, National Association of Boston, MA, voluntarily liquidated its assets and terminated its corporate existence on August 31, 2009. (Internal sources, 10/30/09)

On September 16, 2009, **American Trust Company** of Lebanon, NH, voluntarily liquidated its assets and terminated its corporate existence. (Internal sources, 10/30/09)

Federal Reserve Board Announces Annual Adjustments for Reserve Calculations and Deposit Reporting, Regulation D

The Federal Reserve Board on October 9, 2009, announced the annual indexing of the reserve requirement exemption amount and of the low reserve tranche for 2010. These amounts are used to calculate the reserve requirements of depository institutions. The Board also announced the annual indexing of the nonexempt deposit cutoff level and the reduced reporting limit that will be used to determine deposit reporting panels effective 2010.

All depository institutions must hold a percentage of certain types of deposits as reserves in the form of vault cash, as a deposit in a Federal Reserve Bank, or as a deposit in a pass-through account at a correspondent institution. Reserve requirements currently are assessed on the depository institution's net transaction accounts (mostly checking accounts). Depository institutions must also regularly submit deposit reports of their deposits and other resolvable liabilities.

For net transaction accounts in 2010, the first \$10.7 million, up from \$10.3 million in 2009, will be exempt from reserve requirements. A three percent reserve ratio will be assessed on net transaction accounts over \$10.7 million up to and including \$55.2 million, up from \$44.4 million in 2009. A 10 percent reserve ratio will be assessed on net transaction accounts in excess of \$55.2 million.

These annual adjustments, known as the low reserve tranche adjustment and the reserve requirement exemption

amount adjustment, are based on growth in net transaction accounts and total resolvable liabilities, respectively, at all depository institutions between June 30, 2008, and June 30, 2009.

For more information, including the dates for which the adjustments are effective, please visit www.federalreserve.gov/newsevents/press/bcreg/20091009a.htm. (Board press release, 10/9/09)

FDIC Issues Prepaid Assessments Final Rule

On November 12, 2009, the FDIC adopted a final rule amending the assessment regulations to require insured depository institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012. The payments are due December 30, 2009, along with each institution's risk-based assessment for the third quarter of 2009. For most institutions, the amount paid on December 30 will be substantially higher than typical quarterly deposit insurance assessments.

Institutions should plan to have adequate funds available. For full details of the rule on how the final rule will impact financial institutions, please refer to the FDIC's November 12, 2009, announcement at www.fdic.gov/news/news/financial/2009/fil09063.html. (Source: FDIC FIL-63-2009, 11/12/09)

Federal Reserve Announces Final Rules Prohibiting Institutions from Charging Fees for Overdrafts on ATM and One-Time Debit Card Transactions

The Federal Reserve Board on November 12, announced final rules that prohibit financial institutions from charging consumers fees for paying overdrafts on automated teller machine (ATM) and one-time debit card transactions unless a consumer consents, or opts in, to the overdraft service for those types of transactions.

Before opting in, the consumer must be provided a notice that explains the financial institution's overdraft services, including the fees associated with the service, and the consumer's choices.

The final rules, along with a model opt-in notice, are issued under Regulation E, which implements the Electronic Fund Transfer Act. The Board's consumer testing shows that most consumers prefer not to be enrolled in overdraft services for ATM and one-time debit card transactions unless they affirmatively consent, or opt in.

At the same time, testing shows that most consumers want overdraft services to cover important bills, such as checks they use to pay rent, utilities, and telephone bills.

To ensure that consumers have a meaningful choice, the final rules prohibit financial institutions from discriminating against consumers who do not opt in. The final rules require institutions to provide consumers who do not opt in with the same account terms, conditions, and

features (including pricing) that they provide to consumers who do opt in. For consumers who do not opt in, the institution would be prohibited from charging overdraft fees for any overdrafts it pays on ATM and one-time debit card transactions.

Full details on the final rules, which are effective July 1, 2010, are available at www.federalreserve.gov/newsevents/press/bcreg/20091112a.htm. (*Reserve Board press release, 11/12/09*)



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