

Federal Reserve Bank of Boston BANK NOTES

• Edited by Anne M. McElroy •

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Banco Santander, S.A. to Acquire Sovereign Bancorp

On October 13, 2008, Sovereign Bancorp of Philadelphia, PA, parent company of Sovereign Bank, announced that Banco Santander, S.A. of Santander, Spain, will acquire the 75.65 percent of Sovereign Bancorp that Santander does not already own.

The transaction, valued at approximately US\$1.9 billion (euro 1.4 billion), has been approved by Santander's executive committee and by the non-Santander directors of Sovereign. The deal is expected to be completed in the first quarter of 2009, subject to regulatory and shareholder approvals. (*Sovereign Bancorp press release, 10/13/08; SNL Bank & Thrift Daily, 10/20/08*)

Mergers and Acquisitions

ESB Bancorp Inc. was established in Easthampton, MA, on October 1, 2008. On the same day, ESB Bancorp MHC was formed and then acquired Easthampton Savings Bank of Easthampton, MA. (*Internal sources, 10/10/08*)

On October 7, 2008, Green Valley Bancorp, Inc. and Green Valley Bancorp, MHC were formed in Southbridge, MA. Green Valley Bancorp then acquired Southbridge Savings Bank of Southbridge, MA. Southbridge Savings Bank will continue to operate under the Southbridge name. (*Internal sources, 10/17/08*)

On October 11, 2008, MASSBANK Corp. of Reading, MA, merged into Eastern Bank Corporation of Boston, MA. While Eastern Bank acquired MASSBANK in a cash transaction valued at \$170 million on September 3, 2008 the operations of the two banks were not merged until the Columbus Day weekend. (*Internal sources, 10/17/08; Eastern Bank press release, 10/14/08*)

LSB Financial Unit Laconia Savings Bank of Laconia, NH, will acquire two branches from Ocean Bank of Portsmouth, NH, a unit of People's United Financial Inc. of Bridgeport, CT. Laconia is expected to acquire the two branches in December 2008. (*SNL Bank & Thrift Daily, 10/17/08; The Citizen of Laconia, 10/15/08*)

Members of Northeast Community Credit Union of Haverhill, MA, have approved the proposed merger of the credit union with Haverhill Bank, of Haverhill, MA. A joint press release issued by the institutions on October 20, 2008, said that the vote, subject to certification by an independent firm, was part of a process approved by the National Credit Union Administration (NCUA) and the Massachusetts Division of Bank. Upon final regulatory approval, combined operations under the Haverhill Bank name are expected to begin in January. Under state law, the resulting institution must remain a bank. (*SNL Bank & Thrift Daily, 10/23/08; Haverhill Community Credit Union/Haverhill Bank press release, 10/20/08*)

Conversions

Abington Bank of Abington, MA, became a member of the Federal Reserve System on October 21, 2008. (*Internal sources, 10/29/08*)

Branch Openings

Danversbank of Danvers, MA, opened a branch at 51 Commercial Street in Malden, MA, on June 9, 2008. On August 20, the bank opened a branch at 7 Traders Way in Salem, MA. (*Internal sources, 10/10/08*)

Hudson Valley Bank, NA of Yonkers, NY, announced on October 29, 2008 that it had opened its third branch in Greenwich, CT. The bank has also received approvals for new branches in Fairfield and Milford, CT. (*SNL Bank & Thrift Daily, 10/31/08*)

Institution for Savings of Newburyport, of Newburyport, MA, opened a branch at Triton Regional High School in Byfield, MA on September 3, 2008. The new Institution for Savings Educational School Bank at Triton is open to students, staff and to the public at large every day that school is in session. (*Internal sources, 10/10/08; Institution for Savings press release, 8/30/08*)

Kennebunk Savings Bank of Kennebunk, ME, opened a branch at 883 Main Street in Sanford, ME, on July 10, 2008. On the same day, the bank opened a branch

at 481 Main Street in Springvale, ME. *(Internal sources, 10/10/08)*

Middlesex Savings Bank of Natick, MA, opened a branch at 454 Boston Post Road in Sudbury, MA, on July 29, 2008. *(Internal sources, 10/10/08)*

Correction

The October 2008 issue of Bank Notes stated that Mechanics' Cooperative Bank of Taunton, MA, having completed its acquisition of Lafayette Federal Savings Bank on September 1, 2008, had seven branches in Massachusetts' Bristol County. The total number of branches following the merger is eight.

Federal Reserve's October 2008 Senior Loan Officer Survey Shows Tighter Standards on Bank Lending Practices

On November 3, the Federal Reserve released the results of its latest quarterly survey of bank lending practices. Nearly 60 percent of responding banks said they had tightened lending standards on credit card debt.

The Federal Reserve found 85 percent of the domestic banks responding to the survey reported that they had tightened their lending standards for "commercial and industrial" loans, up from 60 percent in the June survey. Nearly all banks – 95 percent – reported tighter standards for the lines of credit they extend to large and medium-sized businesses.

Many responding banks also reported they were tightening standards for both credit cards and other types of consumer loans. The survey sample comprised 55 domestic banks and 21 U.S. branches and agencies of foreign banks. The Board's press release and full report is available at www.federalreserve.gov/boarddocs/SnLoanSurvey/200811/. *(Federal Reserve Board press release, 11/03/08; Boston Globe, 11/03/08)*

Reserve Banks Announce 2009 Federal Reserve Financial Services Fees

The Federal Reserve Banks remain committed to offering innovative payment solutions for financial institutions of all sizes. The Reserve Banks continue their focus on providing reliable and robust payment services that are designed to be secure while preparing for the future by modernizing our infrastructure.

Price changes for 2009 focus on the delivery of premium value-added services, the costs associated with handling and transporting paper and the risks associated with deposits received at late deadlines. The October 31, 2008 press release and the fee schedules that become

effective on January 2, 2008 are available at www.frb services.org. *(Internal sources, 10/31/08)*

Reserve Board Approves Final Amendments to Regulation C "Home Mortgage Disclosure"

On October 20, 2008, the Federal Reserve Board of Governors approved final amendments for Regulation C that revise the rules for reporting price information on higher priced mortgage loans. The changes are intended to improve the accuracy and usefulness of data reported under the Home Mortgage Disclosure Act.

The changes to Regulation C conform with the threshold for rate spread reporting to the definition of high-priced mortgage loan adopted by the Board under Regulation Z "Truth in Lending" in July 2008. By implementing the same pricing threshold test under both regulations, the Board is reducing the overall regulatory burden on mortgage lenders. The final rule is effective October 1, 2009. The full text of the Board's press release is available at www.federalreserve.gov/newsevents/press/bcreg/20081020b.htm. *(Federal Reserve Board press release, 10/20/08)*

Agencies Announce Impact of Tax Change on Indirect Investments in Fannie Mae/Freddie Mac Preferred Stock

The federal banking and thrift regulatory agencies announced on October 31, 2008 that they are extending the applicability of their October 24, 2008 Interagency Statement on direct investments to certain indirect investments in Fannie Mae and Freddie Mac preferred stock.

The change, made in response to a newly issued federal tax revenue procedure, means that banks, bank holding companies, and thrifts (banking organizations) are permitted to adjust their September 30, 2008 regulatory capital calculations for the tax effects from losses on direct and indirect investments in Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation) preferred stock.

More specific guidance related to regulatory reports for September 30, 2008 was issued by the Treasury Department and the Internal Revenue Service on October 29, 2008, and is available at www.federalreserve.gov/newsevents/press/bcreg/20081031a.htm. *(Joint Agency press release, 10/31/08)*

Federal Reserve Announces Extended "Swap Lines" with Other Central Banks

On October 29, 2008, the Federal Reserve, the Banco Central do Brasil, the Banco de Mexico, the Bank of Korea, and the Monetary Authority of Singapore announced the establishment of temporary reciprocal currency arrangements (swap lines). These facilities, like those already established with other central banks, are

designed to help improve liquidity conditions in global financial markets and to mitigate the spread of difficulties in obtaining U.S. dollar funding in fundamentally sound and well managed economies. These reciprocal currency arrangements are authorized through April 30, 2009.

The Federal Open Market Committee has previously authorized temporary reciprocal currency arrangements with ten other central banks: the Reserve Bank of Australia, the Bank of Canada, Danmarks Nationalbank, the Bank of England, the European Central Bank, the Bank of Japan, the Reserve Bank of New Zealand, the Norges Bank, the Sveriges Riksbank, and the Swiss National Bank.

On October 29, 2008, the Federal Reserve also welcomed the announcement by the International Monetary Fund of the establishment of the Short-Term Liquidity Facility, which is designed to help member countries address and resolve their ongoing economic and financial difficulties. For more information, visit www.federalreserve.gov/newsevents/press/monetary/20081029b.htm. *(Reserve Board press release, 10/29/08)*

Federal Reserve Announces New Formula to Determine Interest Rate Paid on Excess Reserve Balances

The Federal Reserve Board, on November 6, 2008, announced that it will alter the formulas used to determine the interest rates paid to depository institutions on required reserve balances and excess reserve balances.

Previously, the rate on required reserve balances had been set at the average target federal funds rate established

by the Federal Open Market Committee (FOMC) over a reserves maintenance period minus 10 basis points. The rate on excess balances had been set as the lowest federal funds rate target in effect during a reserve maintenance period minus 35 basis points.

Under the new formulas, the rate on required reserve balances will be set equal to the average target federal funds rate over the reserve maintenance period. The rate on excess balances will be set equal to the lowest FOMC target rate in effect during the reserve maintenance period. These changes will become effective for the maintenance periods beginning Thursday, November 6.

More details are available through the Board's press release at www.federalreserve.gov/newsevents/press/monetary/20081105a.htm.

For questions on how this change impacts your institution, please call the First District Reserve Account Management Inquiry Line at (800) 526-0338. *(Reserve Board press release, 10/22/2008)*

Reminder: Access Most Recent Federal Regulatory Agency Actions from One Web Page

The Federal Reserve Board and other federal regulatory agencies have been issuing press releases at a rapid pace in recent weeks. Due to the space constraints of Bank Notes, we encourage you to bookmark the following site so that you can stay informed of the most recent developments that may impact your institution: www.federalreserve.gov/newsevents/recentactions.htm. *(Internal sources, 11/03/08)*



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