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Decision of November 30, 2011

By the [Division of Banks](#)

DECISION
RELATIVE TO THE MERGER OF
ECONOMY CO-OPERATIVE BANK, MERRIMAC, MASSACHUSETTS
WITH AND INTO
HAVERHILL BANK, HAVERHILL, MASSACHUSETTS

Haverhill Bank ("Haverhill"), Haverhill, Massachusetts has applied to the Division of Banks (the "Division") for authority to merge with Economy Co-operative Bank ("Economy"), Merrimac, Massachusetts pursuant to the provisions of Massachusetts General Laws chapter 170, section 25, and under the terms of a Consolidation Agreement dated August 29, 2011 ("the Agreement"). The Agreement provides for the merger of Economy with and into Haverhill, under the name, charter and by-laws of Haverhill Bank. The main office of Haverhill would remain the main office of the continuing institution and the sole banking office of Economy would be retained as a branch office of Haverhill.

Notice of the bank merger application was posted as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired. Upon review the Division required that two management related issues be addressed. These matters were discussed in several telephone conversations. The issues were resolved in supplemental filings dated October 16th, October 18th and November 16, 2011.

The Division reviewed the application, supplemental filings and all related documents in accordance with the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage and net new benefits would be promoted by approval of the proposed transaction. The record of performance under the Commonwealth's Community Reinvestment Act ("CRA"), Massachusetts General Laws chapter 167, section 14 and its implementing regulation, 209 CMR 46.00 et seq. also were factors considered by the Division.

Haverhill is a Massachusetts chartered co-operative bank that was established in 1877. Its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") to the maximum extent permitted by law, and by the Share Insurance Fund ("SIF") for deposits in excess of FDIC coverage. Haverhill had consolidated assets of approximately \$258 million as of September 30, 2011. In addition to its main office, Haverhill operates four other full service branch offices also in Haverhill.

Economy is a Massachusetts chartered co-operative bank that was established in 1889. As of September 30, 2011, Economy had total consolidated assets of approximately \$26 million. Its one banking office is in Merrimac, Massachusetts. Economy's deposits are insured by the FDIC to the maximum extent permitted by law, and by the SIF for deposits in excess of FDIC coverage limits.

The merger application summarizes the primary service area of both banks. Haverhill considers its primary service area as the City of Haverhill and Economy considers its primary service area as the Town of Merrimac, which, in each case, comprises all or substantially all of each such institution's CRA assessment area. There are no cities or towns in which both institutions have a banking office.

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. In analyzing the impact of a proposed transaction on banking competition, the Division considers, but does not rely exclusively on, the guidelines used by federal authorities to review bank mergers. Essentially, these guidelines define relevant markets and measure concentration, which is considered an important indicator of competitiveness. The starting point in the federal analysis is the Herfindahl-Hirschman Index, an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in an affected market into a single value. In this case, there will be a negligible and de minimis increase in the HHI for the geographical areas analyzed according to the application. In addition to that analysis, the Division

considers the competitive impact of the proposed transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. As stated above, the communities in the primary service area for the merging banks are different. Although Haverhill's main office is located in the City of Haverhill in Essex County and Haverhill and Merrimac are neighboring communities in the same county, the banks do not have any banking offices located in the same city or town. Information in the application shows that the banks do not derive significant business from each other's primary service area. The Division also has noted that there are numerous banks with banking offices located in the combined primary service area of the merging banks. Therefore, the banking public will continue to be able to choose from a variety of banking options. Accordingly, the Division's analysis of the competitive impact of the merger does not preclude approval of the proposed transaction.

As a result of the merger, Haverhill indicates that the banking public will benefit in several ways. According to the application, such benefits include a broader range of deposit and loan products and banking. Economy offers only limited commercial real estate and personal loans to complement its competitive one to four family mortgage loans. In particular, customers of Economy will benefit from a variety of Haverhill's products not currently available to them including Haverhill's broader range of consumer and small business products. The continuing institution's lending limits and branch office network would be enhanced by the merger. The added asset base and the ability to hire a loan officer assigned to the Merrimac office, is expected to contribute to the continuing institution's ability to generate business and commercial loans. The Division considered these reasons and others cited in the submitted documents in determining that public convenience and advantage will be promoted by approval of this transaction.

In determining whether or not to approve a petition under the statutory criteria, the Commissioner is also required to consider a showing of "net new benefits" related to the transaction. That term as set out in section 25 of said chapter 170 includes initial capital investments, job creation plans, consumer and business services and commitments to maintain and open branch offices, among other factors, which the Commissioner may deem necessary. In the application the Petitioner has addressed this requirement of statute including capital investments. Additionally, the continuing institution will have the aforementioned larger lending limit and believes that the merger should facilitate future job creation. Moreover, customers of both banks will have access to the banking offices of both banks which will be enhanced by capital investments in the form of an additional drive-up ATM at the Economy office, signage, and renovations at branch facilities. These and other factors are also cited as support for meeting such criteria.

Related to the issue of public convenience and advantage is the record of performance under CRA by the banks which are parties to this transaction. Such review for a state-chartered bank includes examination by personnel of the Division as well as analysis of concerns received from the bank's community and its response to those concerns fairly raised. A publicly available descriptive rating and evaluation by a federal bank regulatory agency will also be considered. The Division has noted that Haverhill received a "Satisfactory" rating on its most recent CRA performance examination. The Division is also aware that Economy received a "Satisfactory" rating in its most recent CRA examination.

The application states that, in connection with the merger, the continuing institution's Board of Directors will consist of all of the persons currently serving as directors of Haverhill and one of the directors of Economy. The management of the combined bank is also detailed in the application documents. Economies and service capabilities which would result from the transaction are set out in the submitted documents. Upon consolidation, the continuing bank will meet all required capital standards. Overall, financial and managerial considerations as further addressed in the supplemental filing support approval of the application.

Upon review of the application with reference to the relevant statutory and regulatory requirements, this Division has concluded that the consummation of the proposed consolidation would be in the public interest. On the basis of these considerations, approval is granted for Economy Co-operative Bank to merge with and into Haverhill Bank under the charter, by-laws and name of Haverhill Bank under the provisions of said Massachusetts General Laws chapter 170, section 25.

The approval granted herein is subject to the following conditions:

1. that the proposed merger shall not become effective until a Certificate signed by the Presidents and Clerks or other duly authorized officers of each bank indicating that each institution has complied with the provisions of Massachusetts General Laws chapter 170, section 25 or other applicable statute has been returned for my endorsement thereon;
2. that the proposed merger shall not become effective until Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
3. that the proposed merger shall be consummated within one year of the date of this Decision.

November 30, 2011

Date

David J. Cotney

Commissioner of Banks

