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[For Government](#)

[Home](#) > [Business](#) > [Banking Industry Services](#) > [Banking Legal Resources](#) > [Opinions and Decisions](#) > [2007 Decisions of the Commissioner of Banks and Board of Bank Incorporation](#) >

Decision of August 23, 2007

By the [Division of Banks](#)

DECISION RELATIVE TO THE MERGER OF THE WESTBOROUGH BANK, WESTBOROUGH, MASSACHUSETTS WITH AND INTO HUDSON SAVINGS BANK, HUDSON, MASSACHUSETTS

Hudson Savings Bank ("Hudson" or the "Petitioner"), Hudson, Massachusetts has applied to the Division of Banks (the "Division") for authority to merge with The Westborough Bank ("Westborough"), Westborough, Massachusetts pursuant to the provisions of Massachusetts General Laws chapter 168, section 34D and under the terms of an Agreement and Plan of Merger (the "Agreement"). The Agreement provides for the merger of Westborough with and into Hudson under the name, charter and by-laws of Hudson Savings Bank. The banking offices of Westborough will become branch offices of Hudson. The merger application was filed in connection with the multi-step transaction in which Assabet Valley Bancorp ("Assabet"), the mutual holding company for Hudson, will acquire the stock of Westborough through a merger with Westborough's mutual holding company, Westborough Bancorp, MHC. Westborough's mid-tier holding company, Westborough Financial Services, Inc. will merge with and into HudWest Financial Services, Inc., a wholly owned subsidiary of Assabet, formed to facilitate the transaction. The related holding company acquisition application was approved by the Commonwealth's Board of Bank Incorporation on August 23, 2007.

Notice of the application was posted as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired. Comments were received from two individuals. The Division is aware of the pending litigation relative to this transaction involving a challenge by the minority shareholders of Westborough Financial, Inc. The plaintiff's motion for a preliminary injunction was denied on August 14, 2007. The Division reviewed the application and all related documents in accordance with the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether net new benefits as well as public convenience and advantage 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 the Division's regulation, 209 CMR 46.00 et seq. also were factors considered by the Division.

Hudson has its main office in Hudson and operates four branch offices in Hudson, Leominster, Marlborough and Clinton. Hudson reorganized into a mutual holding company structure which resulted in the formation of Assabet in 1997. The Westborough Bank has its main office in Westborough and operates three other branch offices in Westborough, Northborough and Shrewsbury. Westborough reorganized into a mutual holding company forming Westborough Bancorp, MHC and Westborough Financial Services, Inc., its mid-tier holding company, in 2000. At that time, Westborough Financial Services, Inc. issued 35% of its stock in a subscription offering. The holding company acquisition will provide for the payment of \$35 per share for the publicly held shares of Westborough Financial Services, Inc. Assabet had total consolidated assets of \$661.3 million as of March 31, 2007. Westborough Financial Services, Inc. had total consolidated assets of

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\$296.2 million as of March 31, 2007. The deposits of Hudson Savings Bank and The Westborough Bank are insured to allowable limits by the FDIC and deposits in excess of those limits are insured by the Depositors Insurance Fund ("DIF").

Materials have been submitted to address the issue of whether competition among banks will be unreasonably affected by the proposed transaction. The materials filed explained that under the analysis followed by the Federal Reserve, the only banking market in which both Hudson and Westborough operate is the Worcester Banking Market. Because of the relatively small market share that each of banks has in this banking market, the transaction will have only a de minimis effect on competition. Similar results are obtained by applying the county based analysis of the Federal Deposit Insurance Corporation. Some of that analysis is detailed according to various tests relative to the size of each institution and its competitors within delineated markets used by federal agencies. Upon review, the Division's analysis of the competitive impact of this transaction does not preclude its approval.

The Division has also considered whether public convenience and advantage will be promoted by this transaction. The application states that as a significantly larger financial institution, the combined institution will be able to offer a wider array of consumer and business products and services than does either Hudson or Westborough Bank. In addition, because of its larger size and greater capital, the combined institution will be able to offer higher lending limits to commercial customers in both the Hudson and Westborough market areas and will have a greater capacity to meet consumer and business needs.

With respect to net new benefits, the transaction will result in a combined bank that offers a broader array of products and services to its customers. As a result, the transaction will provide Westborough customers with many new choices for products and services not presently offered by Westborough, including investment and trust department services; extensive cash management services for commercial and small business customers; lower minimum deposit requirements for certificates of deposit and IRAs; more branch offices and ATMs and a wide range of products offered to customers age 65 and older. All employees of The Westborough Bank will be offered jobs, including in some cases newly created positions in expanded departments, in the combined institution. Hudson anticipates the proposed transaction will improve its ability to grow with the growth creating new jobs in the Commonwealth.

Related to the issue of net new benefits and public convenience and advantage is the record of performance under CRA by the banks which are parties to this transaction. Such review for Massachusetts-chartered banks such as Hudson and Westborough includes examination by personnel of the Division as well as analysis of concerns received from a bank's community and a bank's response to those concerns fairly raised. The Division is aware that both Hudson and Westborough have "Satisfactory" ratings in their most recent examination of performance under CRA. Accordingly, the Division's view of this factor is consistent with approval.

Following consummation of this transaction, all regulatory capital standards will continue to be met. Upon review, financial and managerial considerations support the petition.

Based on the record on this matter considered in light of all relevant statutory and administrative requirements, the Division finds that competition among banking institutions will not be unreasonably affected, that public convenience and advantage will be promoted by consummation of the proposed transaction and that records of performance under CRA by the banks involved in this transaction are consistent with its approval. Therefore, in accordance with these findings, consideration of comments received and pursuant to the statutory authority cited herein, the Division hereby approves the application and authorizes Westborough to merge with and into Hudson.

The approvals granted herein are subject to the following conditions:

1. That no merger shall become effective until a certificate signed by the Presidents and Clerks or other duly authorized officers of the banks involved in the merger indicating that each such institution has complied with the provisions of Massachusetts General Laws chapter 168, section 34D or other applicable statute has been returned with 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.

August 23, 2007

Date

Steven L. Antonakes

Commissioner of Banks