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Decision of July 27, 2006

By the [Division of Banks](#)

DECISION ON THE PETITION TO ESTABLISH NEW ENGLAND SAVINGS BANK IN HYANNIS, MASSACHUSETTS

The Incorporators (or the "Petitioners") of the proposed New England Savings Bank (the "Bank" or "New England") have submitted an application with related documents to the Board of Bank Incorporation (the "Board") for the issuance of a certificate that public convenience and advantage will be promoted by the establishment of the proposed Bank in Hyannis, Massachusetts. The Petitioners seek to establish the Bank as a stock savings bank under the provisions of Massachusetts General Laws chapter 168. The Bank's deposits will be insured by the Federal Deposit Insurance Corporation ("FDIC") and the Depositors Insurance Fund ("DIF"), for deposits in excess of the FDIC coverage limits.

Notice of the application, affording opportunity for interested persons to submit comments, has been published and posted in accordance with the requirements of section 5 of said chapter 168 of the General Laws and procedures of the Board. A public hearing was held on the application pursuant to chapter 168 of the General Laws on Wednesday, June 7, 2006 to receive comments from interested parties. The time for filing comments and supplementary materials after the hearing has passed. The Board reviewed the application and the testimony received at the public hearing. Additionally, the Board also reviewed a supplemental letter dated June 22, 2006 from the Petitioners' counsel in response to certain matters raised at the hearing. The application and testimony have been considered in accordance with the statutory criteria, set forth in section 5 of said chapter 168, of whether public convenience and advantage will be promoted by the establishment of the proposed banking institution. The requirements of said chapter 168 relative to the formation of the Bank, as described herein, have also been considered by the Board. The Petitioners' proposal for compliance with the Commonwealth's Community Reinvestment Act ("CRA"), General Laws chapter 167, section 14 is also a factor considered by the Board.

The establishment of a state-chartered savings bank by statute involves a two-step procedure before the Board. The first is the petition now pending while the second step is the issuance of a certificate to transact business. In determining whether to issue a certificate that public convenience and advantage will be promoted by the establishment of a new savings bank, the Board has reviewed the statutory criteria of the adequacy of banking facilities in the area, the general character of the Bank's management, the adequacy of its proposed capital structure and the convenience and needs of the community to be served. The Petitioners' application and oral testimony at the public hearing have addressed each of these matters in conjunction with the application to establish New England.

In order to receive the second certificate from the Board authorizing the corporation to transact banking business, a proposed bank must, among other things, comply with the provisions of section 9 of chapter 172 of the General Laws, made applicable to a stock savings bank by section 4 of said

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chapter 168. Those requirements include raising the required capital, identifying satisfactory members of its Board of Directors and operating management, complying with all requirements of law, and submitting other documentation. The proposed bank must also obtain deposit insurance from the FDIC and the DIF. As set out in section 5 of said chapter 168, the proposed bank has one year from the issuance of the certificate of public convenience and advantage to complete its organization and obtain the second certificate.

New England will be established as a stock savings bank with its proposed main office in Hyannis, Massachusetts. The Bank's primary service area will be Barnstable County, Massachusetts with emphasis on the towns of Barnstable, Yarmouth, Dennis, Falmouth, Mashpee, and Sandwich, Massachusetts. The town of Barnstable is comprised of the following 7 villages: Barnstable, Centerville, Cotuit, Hyannis, Marston Mills, Osterville, and West Barnstable. The Petitioners assert that the primary service area has undergone significant consolidation in the banking industry during the last 15 years. The Petitioners state that there are currently eleven banks with a main or branch office presence on Cape Cod. In total, there were 122 offices with \$5.65 billion in deposits as of June 30, 2004. The Petitioners further state that in the last 15 years, Cape Cod has lost 16 banks that maintained corporate headquarters on Cape Cod. Accordingly, the Petitioners' application and oral testimony provide that many residents and businesses on Cape Cod are forced to rely on institutions whose management is remote and not familiar with the local market. Thus, the Petitioners' argue that establishment of New England will add a locally owned and operated bank to Cape Cod where customers will have the ability to speak directly with locally based decision makers. The Board has recently heard similar analysis on the banking network on Cape Cod during deliberations on another application for a new bank.

For purposes of the Community Reinvestment Act ("CRA"), New England's assessment area is designated as Barnstable, Yarmouth, and Mashpee. New England intends to offer traditional bank products but intends to distinguish itself by offering them at a higher level of service. New England will, however, emphasize on real estate loans for individuals and families. New England will offer a percentage of its real estate loans to self-employed persons and independent workers. The Petitioners sets forth in its application that, generally speaking, this population has limited access through traditional banks. The Petitioners state that its senior management has considerable experience working with these types of borrowers. New England will also seek to serve the needs of the immigrant Brazilian community. It indicates that this population has been under served with respect to savings and borrowing needs, and other products and services by its competitors. Further, the Petitioners maintains that there exists a need for a local full service community bank in this primary service area given there are only three banks that maintain their corporate headquarters in Barnstable County at the present time. The Petitioners have put forth their belief in the importance of having local bank loan officers with an understanding of the local market. The Board's analysis of the adequacy of banking facilities in the area to be served by the proposed Bank weighs in support of this application to establish a new bank.

The proposed Bank's President and Chief Executive Officer, Chief Operating Officer, and other senior officers have been identified to the Board. The senior officers have previously held senior positions at state and federally chartered financial institutions with one exception. Additionally, several of the Bank's incorporators have prior experience working for banks. Although, the Chief Operating Officer does not have direct prior experience working for a bank, he has experience in the financial services industry having founded and operated a licensed mortgage broker. During the hearing, the Petitioners were asked to discuss any conflicts of interest that could exist between members of the Loan Committee who have continuing or past relationships with the aforementioned mortgage broker. The Petitioners provided supplemental material addressing this matter. Upon review, the Board is satisfied with the Petitioners response and concludes that sufficient safeguards are in place to prevent any such conflict. As part of the process to establish a new bank, the Board reviews the general character of all the incorporators and the qualifications of the proposed management since proper management is vital to the organization and initial operation of a new bank. It is a factor reviewed by the Board as part of the process to establish a bank. The information on the proposed management structure of New England submitted by the Petitioners is sufficient for the Board to make a determination on this petition.

Another statutory criteria to be considered by the Board is the adequacy of the capital structure of the proposed Bank. The Board has determined, as policy, that a minimum initial capitalization of \$8 million, net of organizational expenses, must be attained. The Petitioners state that they intend to raise initial capital in the amount of \$10.5 million, but in any event will raise \$8 million net of organizational expenses including the construction of a main office. The Bank intends to raise the capital through a private stock offering as well as a community offering. The Petitioners' growth projections indicate that the proposed Bank would meet all regulatory capital requirements from their initial capital contribution.

A major factor to be considered by the Board in its analysis of an application to establish a new bank is the public convenience and advantage that will be served by its operation. That review included the products and services to be offered as well as the means by which such banking business will be provided. As set out in the application and stated in oral testimony, the proposed Bank intends to offer a wide range of products and services including a full range of consumer and small business and consumer deposit products such as checking and savings products, money market, certificate of deposit and IRA accounts. The Bank will also offer a full range of real estate loan products including traditional mortgage lending on one-to-four family residences, residential second mortgage loans, and residential construction loans as well as additional consumer loan products. The Bank will also offer commercial loans targeted to small and medium-size businesses including commercial real estate loans and loans secured by equipment, inventory, or accounts receivable. The Bank's products will be provided through a variety of channels in addition to its main office facility including ATM access, debit card access, internet banking, and commercial courier service. The Board's analysis supports a finding that public convenience and advantage would be promoted by the transaction.

Another important factor reviewed by the Board is the Petitioners' compliance with the provisions of CRA. The application contains the information on the proposed lending activities of the Bank. The application adequately cites the Bank's intentions for meeting local credit needs and promoting community involvement by the Bank. The proposed areas to be served are determined to be reasonable.

Having considered the record established by the Petitioners on the adequacy of the banking facilities in the area, the general character of its management, the adequacy of its capital structure and the convenience and needs of the community to be served, the Board has found that the applicable statutory and administrative criteria have been fulfilled and that the establishment of the proposed bank is in the public interest. In accordance with the Board's findings, this application is approved and a certificate that public convenience and advantage will be promoted by the establishment of New England Savings Bank is hereby issued.

Both the Petitioners and the general public are advised that the proposed Bank must fulfill its statutory obligations to obtain a certificate to transact business according to the provisions of Massachusetts General Laws chapter 172, section 9. These preconditions for initiating transactions at this new Bank must be completed within one year from this approval date. If the proposed Bank does not complete its organization within that period then, by operation of law, as set out in section 5 of said chapter 168, this certificate of public convenience and advantage is revoked.

The approval granted herein is subject to the following additional conditions:

1. During the organization period the proposed Bank shall be referred to in all public materials as "in organization".
2. All organization documents, including Articles of Organization and all proposed Bank policies, must be submitted to the Board for review.
3. All materials related to any stock offering, or a private placement, including the prospectus and marketing materials, must be submitted to the Board for review.
4. No material change in the business plan submitted to the Board may occur within the organization period and for a period of three years commencing on the date the Bank opens to transact business without the prior written approval of the Division of Banks.

Steven L. Antonakes

Commissioner of Banks

Alan L. LeBovidge

Board
of Bank
Incorporation

Commissioner of Revenue

Timothy P. Cahill

Treasurer and Receiver
General

July 27, 2006

Date