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## Decision of November 16, 1998

# Decision relative to the application of Seacoast Financial Services Corporation, New Bedford to acquire Sandwich Bancorp, Inc., Sandwich

By the [Division of Banks](#)

Seacoast Financial Services Corporation ("Seacoast" or the "Petitioner"), New Bedford, Massachusetts has petitioned the Board of Bank Incorporation (the "Board") pursuant to the provisions of Massachusetts General Laws chapter 167A, sections 2 and 4 to acquire Sandwich Bancorp, Inc., Sandwich, Massachusetts and its wholly owned bank subsidiary, The Sandwich Co-operative Bank ("Sandwich") in a multi-step transaction. Seacoast is the holding company for Compass Bank for Savings ("Compass"), New Bedford. As part of this transaction, Seacoast will establish a subsidiary corporation for the sole purpose of facilitating the acquisition. That subsidiary will merge with and into Sandwich Bancorp, Inc., the surviving entity. As a result, Sandwich Bancorp, Inc. and Sandwich will be come direct and indirect subsidiaries, respectively, of Seacoast. Sandwich Bancorp, Inc. will then merge with and in to Seacoast and Sandwich will merge with and into Compass. The latter transaction is within the sole jurisdiction of the Division of Banks (the "Division"). Upon consummation of this multi-step transaction, Seacoast will control a single Massachusetts chartered bank, Compass.

Notice of the petition by Seacoast, which was filed under its former name, The 1855 Bancorp, was published as directed by the Board thereby affording opportunity for interested parties to submit comments. A public hearing relative to this application was held by the Board on October 1, 1998 and the period for filing comments which was subsequently extended by the Board from October 26 to October 30, 1998 has expired. The Board reviewed the application, comments received at the public hearing and all related documents in accordance with the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether any 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") by the bank subsidiaries of Seacoast and Sandwich Bancorp, Inc. also were factors considered by the Board.

One provision of law requires the Board to have received notice from the Massachusetts Housing Partnership Fund (the "MHPF") that satisfactory MHPF arrangements for the proposed transaction have been made by Seacoast pursuant to section 4 of chapter 167A of the General Laws and guidelines adopted by the MHPF. The Board has received notice from the MHPF, in a letter dated July 1, 1998, that arrangements satisfactory to it have been made for the transaction.

Seacoast is a mutual holding company established in 1994 under chapter 167H of the General Laws in conjunction with the reorganization of Compass into that corporate structure. Its operations have been limited to ownership of Compass. As part of this multi-step transaction to acquire Sandwich, Seacoast is converting to a stock holding company under said chapter 167H and regulations of the Division. At May 31, 1998, Seacoast had total assets of approximately \$1.2 billion. Compass is the subsidiary banking institution in stock form resulting from the 1994 reorganization. It operates from

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twenty-five banking offices, most of which are located in southeastern Massachusetts and on Martha's Vineyard. Compass' primary business is making residential mortgage loans, consumer loans, including indirect automobile loans, and various commercial loans.

Sandwich Bancorp, Inc. is the stock holding company for Sandwich as a result of that bank's reorganization into a one bank holding company structure in September of 1997. Sandwich converted from mutual to stock form in 1986. It operates eleven banking offices on Cape Cod and the communities of Wareham and the Cedarville area of Plymouth. Sandwich's primary business consists of making residential mortgage loans and consumer loans as well as making commercial loans. Sandwich Bancorp, Inc. had total assets of \$531 million. Its business consists primarily of the business of Sandwich.

The conversion of Seacoast from a mutual holding company to a stock holding company would be the first such transaction involving a state-chartered bank. The Board is also aware that the conversion of Seacoast and the acquisition of Sandwich Bancorp, Inc. are interdependent transactions and neither one will occur unless both of them do. The record of this transaction reflects that the Corporators of Seacoast and the stockholders of Sandwich Bancorp, Inc. have each approved the applicable parts of this transaction.

Materials have been submitted to address the issue of whether competition among banks will be unreasonably affected by the proposed transaction. 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. Moreover, the Petitioner has also submitted information on the transaction as it impacts the counties in Massachusetts in which Compass and Sandwich have banking offices. According to the Petitioner, there is very little overlap. Compass' banking offices are primarily in Bristol and Dukes Counties and with three offices in Plymouth County. Sandwich's banking offices are located primarily in Barnstable County with two offices in Plymouth County. It is the position of the Board to consider a transaction in the light of its impact on the citizens, communities and banking structure in the Commonwealth on a community by community basis instead of by variously grouped markets or counties. The Board had noted that each bank had offices within the town of Plymouth and discussed that fact at the public hearing. Upon review and with recognition of the several other banking options for the public in Plymouth, the Board's analysis of the competitive impact of this transaction do not preclude its approval. The Board has also considered whether public convenience and advantage will be promoted by this transaction. As described in the filed documents and at the public hearing, the Petitioner believes the statutory test is met in a number of ways. Upon consummation of this multi-step transaction, customers of Sandwich will have access to Compass' telephone call center through which accounts can be opened and loans applied for as well as other services obtained. Two new services to be offered by Compass are internet banking and a telephone bill paying service. The combined branch office network will also allow business to be conducted over a significantly larger geographic area. Additional services and proposed programs are set out in the application and provide the basis for determining that this statutory test and a showing of net new benefits has been met.

The record of performance under CRA by the subsidiary banks in a bank holding company transaction is also a consideration by the Board. For financial institutions not directly under the jurisdiction of the Commonwealth, the Board initially looks to the publicly available descriptive rating and evaluation by a federal or another state's banking regulatory agency. Such review for state-chartered banks such as Compass and Sandwich 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 Board has noted that Compass has a "Satisfactory" rating and Sandwich has an "Outstanding" rating in their most recent examination of performance under CRA. Accordingly, the Board's view of this factor is consistent with approval.

The application states that upon consummation of the transaction, three current directors of Sandwich Bancorp, Inc. will be added to the Board of Directors of Seacoast and one of the three directors will be added to the Board of Directors of Compass. The operating officers of Compass will continue in their positions and may be supplemented by certain officers from Sandwich. Economies and service capabilities which would result from the transaction are set out in the submitted documents. Following the transaction, which includes the conversion of Seacoast, all regulatory capital standards will continue to be met. Plans to integrate operational systems and provide signage for the combined institution were also part of the Board's consideration at the public hearing. Upon review, financial, managerial and operational considerations support the petition.

Seacoast has addressed the Year 2000 ("Y2K") issue by dedicating senior personnel and funds to the task. Moreover, ongoing system testings are being done for compliance with Year 2000 requirements. To date, the banks' reviews of their Y2K compliance programs have been acceptable. It was stated that this transaction will not effect that compliance effort. The Year 2000 compliance

effort specifically was raised at the public hearing and the response is supportive of the acquisition.

Based on the record on this matter including the testimony received at the public hearing considered in light of all relevant statutory and administrative requirements, the Board 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 and pursuant to the statutory authority cited herein, the Board hereby approves the application and authorizes Seacoast to become a bank holding company and acquire up to one hundred percent of the stock of Sandwich Bancorp, Inc. and The Sandwich Co-operative Bank.

The approvals herein are subject to the condition that all related transactions are completed within one year of the date of this Decision.

Thomas J. Curry

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Commissioner of Banks

Bernard Crowley

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Acting Commissioner of Revenue

Board  
of Bank  
Incorporation

Joseph D. Malone

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Treasurer and Receiver-General

November 16, 1998

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Date