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[For Government](#)

[Home](#) > [Business](#) > [Banking Industry Services](#) > [Banking Legal Resources](#) > [Opinions and Decisions](#) > [2003 Decisions of the Commissioner of Banks and Board of Bank Incorporation](#) >

Decision of June 9, 2003

Decision relative to the merger of Newton South Co-Operative Bank, Newton, Massachusetts with and into Auburndale Co-Operative Bank, Newton, Massachusetts

By the [Division of Banks](#)

Newton South Co-operative Bank ("Newton South"), Newton, Massachusetts has applied to the Division of Banks (the "Division") for authority to merge with Auburndale Co-operative Bank ("Auburndale"), Newton, Massachusetts pursuant to the provisions of Massachusetts General Laws chapter 170, section 25 under the terms of a Consolidation Agreement (the "Agreement") dated as of February 10, 2003. The Agreement provides for the merger of Newton South with and into Auburndale under the charter and by-laws of Auburndale and under the name of The Village Bank. The main office of Auburndale would remain the main office of the continuing institution and both banking offices of Newton South will become branch offices of the continuing bank.

Notices of the application have been posted and published. The time period for interested parties to submit comments has passed. Accordingly, all documents and materials related to this transaction have been reviewed. The record has been considered with regard to the financial and managerial resources of the proposed transaction, whether or not competition among banking institutions will be unreasonably affected, the convenience and needs of the communities to be served by the continuing institution, the record of performance under the Community Reinvestment Act ("CRA") of the banks involved in the transaction and other applicable statutory criteria.

Auburndale is a Massachusetts state-chartered co-operative bank in mutual form. As of December 31, 2002, it had total assets of approximately \$314.4 million. Auburndale's main office is located in Newton, Massachusetts and it operates four branch offices. Three of the four branch offices are located in Newton while one branch office is located in Wayland. The deposits of Auburndale are insured by the Federal Deposit Insurance Corporation ("FDIC") and the Share Insurance Fund of The Co-operative Central Bank in excess of the FDIC's insurance limits.

Newton South is a Massachusetts state-chartered co-operative bank in mutual form with its main office and one branch office located in Newton. As of December 31, 2002, Newton South had assets of approximately \$118.8 million. The deposits of Newton South are insured by the FDIC and the Share Insurance Fund of The Co-operative Central Bank in excess of the FDIC's insurance limits.

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the proposed transactions. While both banks cover Newton in their respective primary service areas, Auburndale's primary service area additionally covers Waltham, Wayland and Weston. The combined bank would continue to serve the area currently served by both banks. Presently, according to those documents, Auburndale is the third largest depository institution in Newton with 9.2% of those deposits. Newton South holds 4% of the deposits in the Newton market. The merged entity would represent 13.1% of deposits in Newton and remain the third largest depository institution in that market. This lack of change in the continuing bank's market

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share in Newton is a consideration in the Division's review which suggests that competition will not be unreasonably affected by this transaction. Although both banks have banking offices in Newton, Newton is currently served by numerous other banks and financial institutions. The Division's analysis of the competitive impact of the transaction does not preclude approval.

The application notes that, at the time of the merger, the continuing institution's Board of Directors will consist of all of the persons serving as directors of both Auburndale and Newton South. The management of the combined bank is also detailed in the application documents. The applicant bank argues that the combined institution will produce greater efficiencies and achieve higher earnings to allow for steady and sound growth. Upon consolidation, the continuing bank will meet all required capital standards. Accordingly, upon review, financial and managerial considerations support the application.

As a result of the merger, Auburndale indicates that the banking public will benefit in several ways. According to the application, such benefits include an expanded branch office network and a broader range of products and services. All of the products presently offered by Auburndale and Newton South will be offered by the combined institution. Moreover, customers of Newton South will now have access to Internet banking and electronic payment services, which are currently offered by Auburndale. Additionally, the continuing bank will introduce its insurance and non-deposit investment program at Newton South's current banking offices. 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 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. The applicant bank has addressed this requirement. According to the Petitioner, the merger will enhance the continuing bank's financial capability to invest in the communities it serves and to develop new products and services for its customers. The maintenance of Newton South's two banking offices as branch offices of the continuing bank as well as the combined bank's ability to provide future employment opportunities for Massachusetts residents 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 Massachusetts state-chartered bank includes examination of personnel by 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. Upon review, the Division has noted that Auburndale and Newton South received ratings of "Satisfactory" and "Outstanding", respectively, in their most recent CRA performance examinations.

Upon review of this application with reference to the relevant statutory and regulatory criteria, the Division has concluded that all such requirements have been met and that consummation of the proposed merger would be in the public interest. On the basis of these considerations, approval is granted for Newton South to merge with and into Auburndale under the charter and by-laws of Auburndale and under the name The Village Bank pursuant to Massachusetts General Laws chapter 170, section 25. Approval is also granted for Auburndale to maintain the two banking offices of Newton South as branch offices. 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 170, section 25, 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.

June 9, 2003

Thomas J. Curry

Date

Commissioner of Banks

