



CRA Decision #179
March 2017

February 2, 2017

Ms. Susan D. Stanley, Esq.
Senior Vice President, Corporate Counsel
People's United Bank, National Association
850 Main Street
Bridgeport, CT 06604

Re: Application to merge The Suffolk County National Bank of Riverhead, Riverhead, New York (OCC Charter No.: 4230) with and into People's United Bank, National Association, Bridgeport, Connecticut
OCC Control No.: 2016-NE-Combination-216710 OCC Charter No.: 25103

Dear Ms. Stanley:

The Office of the Comptroller of the Currency (OCC) hereby approves the application by People's United Bank, National Association, Bridgeport, Connecticut (People's United) to merge The Suffolk County National Bank of Riverhead, Riverhead, New York (SCNB) with, into, and under the title and charter of People's United Bank (Application). The OCC also grants approval for People's United to retain its branches located in Connecticut, southeastern New York, Massachusetts, Vermont, New Hampshire and Maine, and to retain as branches, the main office and branches of SCNB in New York as part of the Merger.

This approval is granted based on a thorough review of all information available, including commitments and representations made in the application, merger agreement, and those of People's United's representatives.

I. The Transaction

People's United, chartered in 1842, is a wholly owned subsidiary of People's United Financial, Inc. (People's United Financial), a Delaware corporation and a bank holding company that has elected to be a financial holding company under the Bank Holding Company Act of 1956, as amended (BHC Act). People's United operates approximately 390 branches in Connecticut, southeastern New York, Massachusetts, Vermont, New Hampshire and Maine. People's United provides commercial, retail, and small business banking as well as wealth management services to individual, corporate and municipal customers. As of September 30, 2016, People's United had total assets of approximately \$40.2 billion and total deposits of \$30 billion.

SCNB, chartered in 1890, is wholly owned by Suffolk Bancorp (Suffolk), a New York corporation and a bank holding company under the BHC Act. SCNB operates 27 branch offices in Nassau, Suffolk and Queens Counties, New York and loan production offices in Garden City, Melville and Long Island City, New York. As of September 30, 2016, SCNB had total assets of approximately \$2.1 billion and total deposits of approximately \$1.9 billion.

The merger transaction will take place in two steps, as follows:

- 1) People's United Financial proposes to merge with Suffolk, pursuant to an Agreement and Plan of Merger by and between People's United Financial and Suffolk (Merger Agreement) dated as of June 26, 2016. Pursuant to the Merger Agreement, Suffolk will merge with and into People's United Financial, with People's United Financial being the surviving company. Suffolk will be dissolved and SCNB will become a wholly owned subsidiary of People's United Financial.
- 2) SCNB will merge with and into People's United in an interstate merger transaction (Merger).

The OCC and the Federal Reserve Board received numerous comment letters both in support of and in opposition to the proposed merger. The OCC has carefully considered the concerns of the commenters opposing the merger as they relate to the statutory and regulatory factors considered by the OCC in acting on the application, including financial and managerial resources and future prospects, financial stability, performance under the Community Reinvestment Act, and the probable effects of the transaction on the convenience and needs of the communities to be served. The public comments will be discussed, as applicable, under each of the statutory and regulatory factors throughout this letter.

II. Legal Authority

A. 12 USC 215a-1

A national bank may engage in a consolidation or merger under the National Bank Consolidation and Merger Act, 12 USC 215 et seq., with an out-of-state bank if the consolidation or merger is approved pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal), 12 USC 1831u. 12 USC 215a-1(a). Riegle-Neal authorizes the OCC to approve merger transactions under the Bank Merger Act, 12 USC 1828(c), between insured banks with different home states. 12 USC 1831u(a)(1). The OCC is also required to consider regulatory requirements contained in 12 CFR 5.33. The OCC must also consider the record of compliance with the Community Reinvestment Act (CRA) of each applicant bank in a merger transaction. 12 USC 2903(a)(2) and 2902(3)(E); 12 CFR 25.29(a)(3).

B. Riegle-Neal Considerations

People's United applied to the OCC for approval to merge SCNB with and into People's United under Riegle-Neal, 12 USC 1831u, which authorizes mergers between insured banks with different home states, 12 USC 215a-1, and the Bank Merger Act, 12 USC 1828(c).

Mergers conducted pursuant to Riegle-Neal are subject to the requirements in 12 USC 1831u(a)(5) and 1831u(b). These are: (i) compliance with state-imposed age limits, if any, subject to Riegle-Neal's limits; (ii) compliance with certain state filing requirements, if any; (iii) compliance with nationwide and state concentration limits; (iv) expanded CRA compliance; and (v) adequacy of capital and management skills. The OCC has considered these factors and determined that the merger satisfies all applicable requirements in Riegle-Neal.

Additionally, upon consummation of the Merger, People's United proposes to retain its existing main office in Bridgeport, Connecticut, and to retain its own branches in Connecticut, Massachusetts, Vermont, New Hampshire, Maine and southeastern New York as well as to retain as branches the main office and branches of SCNB, all of which are located in New York. Retention and operation of SCNB's main office and branches by People's United as branches of People's United is legally permissible under 12 USC 1831u(d)(1), and 12 USC 36(d).

In connection with the Merger, People's United has provided a list of branches, but states that it is anticipated that certain branches of SCNB or People's United, which have not been finally identified, will be closed or consolidated with People's United's other branches based on proximity to one another or for other business reasons. No final decisions have been made by People's United with respect to these matters. It is possible that People's United will not make decisions regarding branch closures or consolidations until after consummation of the proposed transaction. If People's United identifies branches that will be closed or consolidated, it will follow the appropriate OCC guidance and People's United's branch closing policy for such actions. It is expected that decisions regarding any such branch closures will be made based on convenience to the public (including consideration of the level of service to low- and moderate-income individuals and geographies), capacity of the receiving branch and other factors.

III. Bank Merger Act

People's United's proposed merger with SCNB is also subject to OCC review under the Bank Merger Act (BMA). The OCC reviewed the proposed merger under the criteria of the BMA, 12 USC 1828(c), and applicable OCC regulations and policies. Under the BMA, the OCC generally may not approve a merger that would substantially lessen competition. The BMA also requires the OCC to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. 12 USC 1828(c)(5). The OCC must also consider the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities. 12 USC 1828(c)(11). Furthermore, the OCC must consider the risk of the transaction to the stability of the United States banking or financial system. 12 USC 1828(c)(5). The OCC considered these factors and found them consistent with approval of this application.

IV. Community Reinvestment Act

The CRA requires the OCC to take into account the records of the banks' performance in helping to meet the credit needs of their communities, including low- and moderate-income (LMI) neighborhoods, when evaluating applications under the BMA. Under the regulations implementing the CRA, a bank's record of performance may be the basis for denying or conditioning approval of an application subject to the BMA. 12 CFR 25.29(d). Accordingly, the OCC considered the CRA performance evaluation (PE) of each bank involved in this transaction. Based on this review, the OCC has concluded that the banks' records of performance under the CRA are consistent with approval of this application.

A. People's United's CRA Performance

People's United's most recent CRA PE is dated July 2013. The bank's overall rating was Satisfactory.¹ The major factors that supported this rating included that the bank originated a substantial majority of loans within its assessment areas (AAs); the bank's lending activity was good; the bank's overall geographic distribution of loans was good (based on overall adequate home mortgage lending performance and excellent small loans to businesses performance); the bank's overall distribution of lending by borrower income was good (demonstrated by good distribution of home mortgage loans by income level of borrowers and adequate distribution of loans to businesses with different revenue sizes); community development (CD) lending that had a significantly positive impact on the bank's performance under the lending test in certain AAs; adequate overall CD investment performance; an overall bank branch distribution that was accessible to people and geographies of different income levels; and lastly, a relatively high level of CD services.

State of New York

The CRA PE states that People's United had four AAs within the state of New York,² including the Nassau-Suffolk Metropolitan Division (MD).³ The bank moved into the Nassau-Suffolk MD

¹ During the course of this evaluation, examiners reviewed the bank's Home Mortgage Disclosure Act (HMDA), small business, and small farm lending performance between July 1, 2009 and December 31, 2012. Community development loans, investments, and services were evaluated from July 1, 2009 through June 30, 2013. A copy of the CRA PE is available at <https://www.occ.gov/static/cra/craeval/sep15/718027.pdf>. People's United received a high satisfactory rating on the lending and service tests, and a low satisfactory rating on the investment test.

² The four AAs were: the Nassau County, NY – Suffolk County, NY MD (Nassau-Suffolk MD) consisting of Nassau and Suffolk Counties; the New-York-Wayne-White Plains, NY-NJ MD (New York MD) consisting of Westchester, Putnam, Rockland, Bronx, Queens, Richmond, and New York Counties in New York; the Poughkeepsie-Newburgh-Middletown Metropolitan Statistical Area (MSA) consisting of Orange and Dutchess Counties; and the Kingston MSA consisting of Ulster County.

³ OCC examiners performed a full-scope review of the Nassau-Suffolk MD in determining the ratings assigned to the bank's CRA performance in the state of New York because, as of the date of the PE, it contained more than 65 percent of rating area deposits and more than 58 percent of rating area branches. The start date for evaluating the bank's performance in the Nassau-Suffolk MD was November 30, 2010, the date of the acquisition of the Bank of Smithtown and the bank's entrance into that MD.

on November 30, 2010 with the acquisition of the Bank of Smithtown in Smithtown, NY. The bank moved into the Poughkeepsie-Newburgh-Middletown and Kingstown MSAs on June 29, 2012 with the acquisition of branches from RBS Citizens Bank, National Association (RBS Citizens).

People's United's overall rating in the state of New York was Satisfactory.⁴ The major factors that supported this rating included: adequate levels of lending activity; an overall adequate geographic distribution of loans; an overall adequate borrower distribution of loans; CD lending performance that had a positive impact on lending test performance; adequate investment performance; and a branch distribution that was reasonably accessible to essentially all portions of the bank's AAs.

B. SCNB's CRA Performance

SCNB's most recent CRA PE is dated November 2015. The bank's overall CRA rating was Outstanding.⁵ The major factors that contributed to this rating included: the bank's geographic distribution of home mortgage loans and small loans to businesses was excellent; borrower distribution of home mortgage loans was excellent; borrower distribution of small loans to businesses was good; a high percentage of both home mortgage loans and small loans to businesses were made within the bank's AA; the bank's level of community development lending in the AA was excellent; the bank's performance under the investment test was good; and the bank's performance under the service test was excellent.

V. Public Comments and Analysis

Under the BMA, the OCC must consider the convenience and needs of the communities to be served by the resulting bank.⁶ In evaluating this Application, the OCC reviewed: (i) the banks' CRA records of performance; (ii) written public comments; (iii) information provided by People's United to the OCC in response to public comments and additional information requests and information provided by People's United Financial in response to requests for information by the Federal Reserve Bank of New York (FRB-NY) relating to People's United's parent company's application (collectively, the AIR Responses)⁷; and (iv) information available to the OCC as a result of its supervisory responsibilities.

⁴ People's United received a low satisfactory rating on the lending, investment, and service tests for the state of New York.

⁵ During the course of this evaluation, examiners reviewed the bank's HMDA, small business, and small farm lending performance between January 1, 2013 and September 30, 2015. CD loans, investments, and services were evaluated from December 3, 2012 through November 30, 2015. A copy of the CRA PE is available at <https://www.occ.gov/static/cra/craeval/mar16/4230.pdf>. OCC examiners performed a full scope review of the bank's activities in the Nassau-Suffolk MD. SCNB received an outstanding rating on the lending and service tests, and a high satisfactory rating on the investment test.

⁶ See 12 USC 1828(c)(5); 12 CFR 5.33(e)(1)(ii)(C).

⁷ In its AIR Responses, People's United confirmed that the OCC could rely on all information and representations that the bank provided to the FRB-NY in connection with the application of People's United Financial to acquire Suffolk.

A. Public Comments Received

The FRB-NY and OCC received 11 comments in opposition to the Application, and more than 117 comments in support of the Application. Commenters in support of the transaction praised People's United for its community support, especially its community outreach efforts and economic support of various community development efforts. These commenters regard People's United as a community partner, and proffered that approval of the transaction will enable People's United to provide the communities it serves increased resources and support. Some commenters also praised the bank for its growing presence in the multifamily market in New York City.

Commenters in opposition to the transaction expressed concerns or criticisms about People's United's CRA-related activities, including: (i) a low level of CRA investments in New York; (ii) a low volume of home mortgage lending in New York City and the Nassau-Suffolk MD, and in particular to African-American and Hispanic borrowers; (iii) the bank's branch network product offering post consummation; and (iv) general concerns about certain CRA-related activities in the states of Connecticut and Massachusetts. Some commenters requested that the OCC condition approval of the Application on the bank's agreement to enter into a community benefits plan.⁸

Generally, in response to concerns raised by commenters, People's United stated that its merger with SCNB will bring two high-performing banks together and increase the availability of credit and other services to customers of SCNB. People's United stated that, as a community-based bank, SCNB has deep roots in and an intimate knowledge of its communities, and as a larger regional bank, People's United offers expanded lending and investment product options and more convenient access to branches and automated teller machines (ATMs). People's United stated that the combined entity will tap into these strengths for the benefit of its customers and communities. People's United represented that its CRA and community development activities will be integrated into the resultant bank's business model. In particular, People's United plans to leverage SCNB's strength in small business lending and its legacy of community development. People's United stated that SCNB's loan officers will continue to serve their customers as People's United employees post-consummation. Further, People's United stated that SCNB's current CRA officer and senior compliance analyst have been offered positions at People's United following the merger. People's United is striving for continuity in CRA, compliance and lending staff in order to avoid disruption and build on SCNB's successes. Lastly, People's United proffered that the 117 letters in support of the Application demonstrate the bank's positive reputation among CD and nonprofit groups throughout its market areas and the important role it has played in partnering with community development entities for the betterment of its communities.

⁸ Some commenters stated that this Application, and all merger and acquisition transactions generally, should be approved with a requirement for a "forward looking, multiyear community benefits plan" or a "CRA plan". This is not a requirement under the BMA or the CRA. See generally 12 USC 1828(c) and 12 USC 2901.

The commenters' concerns and the OCC's convenience and needs analysis with respect to this Application are discussed further below.

B. Convenience and Needs

The OCC has carefully considered the commenters' concerns as they relate to the probable effects of the business combination on the convenience and needs of the communities to be served. Though the banks' CRA performance and the probable effects of the proposed transaction on the convenience and needs of the communities to be served are interrelated, as explained in the Public Notice and Comments booklet of the *Comptroller's Licensing Manual* (March 2007), consideration of a bank's CRA performance primarily looks to how the bank has performed in the past. A convenience and needs assessment considers how the resultant bank will help to meet the needs of its community on a prospective basis.

The commenters' concerns regarding convenience and needs are summarized and addressed below. Generally, related comments and the relevant People's United's response are grouped together by subject matter. Based on its review, the OCC has concluded that the probable effect of the business combination on the convenience and needs of the communities to be served is consistent with approval of this Application.

i. CRA Program and Activities in Certain AAs

In response to commenters' concerns regarding the effectiveness of its CRA Program, People's United stated that the bank has a strong history of solid CRA performance and meeting its commitment to serve its communities. People's United stated that it currently has a "Satisfactory" CRA PE rating, and that prior to this past examination it has always received "Outstanding" CRA PE ratings. People's United noted in its AIR Responses that the proposed transaction will not lead to a change in People's United's CRA-related AAs, due to People's United's existing branch and lending presence in the communities currently served by SCNB.

New York City and Nassau-Suffolk MD

People's United stated that it intends to maintain and enhance SCNB's strong CRA performance by leveraging SCNB's expertise in the Nassau-Suffolk MD, in particular its LMI home mortgage lending performance, CD and small business loan capabilities, and its existing involvement with local CD organizations (discussed further below).

In response to concerns regarding the adequacy of People's United's CRA program and activities, the bank described how CRA and CD activities are managed at People's United. The bank described its CRA program as well-structured and comprehensive to manage its CRA and CD activities throughout its footprint. People's United's Board of Directors has oversight of the bank's CRA program, and there is an executive-level CRA Committee involved in overseeing the CRA program, whose membership includes the bank's Chief Executive Officer, Chief Financial Officer, Chief Lending Executive and senior management of key operating and support units. The CRA Committee sets policies, provides oversight, reviews performance and ensures that CRA-related activities receive appropriate resources and support.

People's United further described its CRA program as administered by a central staff team, and supplemented by business-line employees throughout the bank's footprint. People's United considers the impact of proposed new products and services on LMI communities. The bank's CRA Officer is a member of the senior management team and participates in the bank's New Products Committee that reviews all proposed new products or services for their impact on LMI communities before deployment.

People's United stated that it has integrated its CRA, compliance and fair lending programs to provide training to employees and to ensure that these topics remain a priority for all employees. In particular, People's United's employees involved in lending are required to participate in training that includes compliance with fair lending laws and other applicable laws and regulations (discussed further below).

People's United also stated that it developed a targeted marketing and outreach strategy that includes credits toward closing costs for individuals who attend the bank's First-Time Homebuyer seminars. According to the bank, in 2016, 13 First-Time Homebuyers seminars were held in New York; 16 in Connecticut and 18 in Massachusetts. These seminars are intended to build awareness in LMI communities of how the bank can help individuals become successful homeowners.

*Hartford and New Haven Counties in Connecticut*⁹

In response to concerns raised by commenters about People's United's small business lending volume in Hartford and New Haven counties as compared to other lenders, People's United represented that it is a committed lender to small businesses, and, according to the bank, has been ranked as one of the top U.S. Small Business Administration (SBA) lenders in terms of volume of lending. Specifically, the bank represented that in New England, People's United was ranked fifth in small business loan volume for fiscal years 2011 to 2013, third in loan volume for fiscal year 2014 and seventh in loan volume for fiscal year 2015. People's United stated that its small business lending business is enhanced by its partnership with a number of government agencies and programs and community development organizations focused on small businesses, including the Connecticut-based Community Economic Development Fund and Capital for Change.

In response to concerns from commenters about People's United's CD loans, investments, and grants to organizations in Connecticut, the bank represented that it strives to ensure that its CD activities are distributed across its footprint in a manner that is consistent with its overall presence in the market. People's United represented that it invested in, and provided loans and grants to, several affordable housing and community and economic development organizations in Hartford and New Haven Counties since its last CRA performance evaluation, including the

⁹ People's United provided detail regarding its CRA-related activities in Connecticut since its last CRA PE in public exhibits to its AIR Responses.

Neighborhood Housing Services of New Haven, Neighborhood Housing Services of New Britain, Local Initiatives Support Corporation, and Housing Development Fund.

*Boston Multistate MSA*¹⁰

In response to concerns regarding People's United's level of CRA-related investments in the Boston multistate MSA, People's United represented that, since its last CRA PE, the bank has substantially increased its level of CRA-related investments in Massachusetts. People's United represented that it increased its CRA-qualified investments in the Boston multistate MSA from less than \$1.2 million as of June 30, 2013 to more than \$31 million as of June 30, 2016. In addition, the bank represented that, from December 31, 2013 through December 31, 2015, People's United nearly tripled its CRA-qualified investment levels in Massachusetts, both in terms of dollar amount and as a percentage of the bank's Tier 1 Capital attributable to Massachusetts.

In addition to its increased investments, People's United represented that it has been actively involved in supporting affordable housing and other CD initiatives in Massachusetts, including making \$27 million in CD loans. In addition, the bank has approved \$6.3 million in SBA loans for 22 organizations since its last CRA examination.

Lastly, People's United represented that, as a result of the bank's efforts to build its Massachusetts markets, the bank hired twelve new mortgage account officers in the Massachusetts market, with an additional two positions still to be filled in the Western and Central Massachusetts areas. The bank also represented that in July 2016, it hired an Affordable Lending Manager¹¹ to cover the Massachusetts, New Hampshire, Maine, and Vermont areas.

ii. Home Mortgage Lending

Some commenters raised concerns about People's United's small volume of home mortgage lending in the New York City and the Nassau-Suffolk MD generally, and to African-American and Hispanic borrowers specifically.

In response, People's United stated that its mortgage lending volume during the period noted by commenters reflects its relatively new entry through acquisitions into the competitive New York banking market. People's United stated that it has a strong record of mortgage lending in its established markets and that it expects its traditional success to extend to New York City and the Nassau-Suffolk MD as it builds out its banking platform in these markets. People's United stated that it believes the acquisition of SCNB, with its full service platform and strong CRA program, will further enhance People's United's efforts.

¹⁰ People's United provided detail regarding its CRA-related activities, including its CRA-related investments, in public exhibits to its AIR Responses.

¹¹ People's United's response stated that this position will be specifically focused on lending to LMI borrowers and communities.

People's United's AIR Responses detailed its acquisition activity in recent years in the New York City and Nassau-Suffolk MD markets. People's United stated that until 2010, the bank had no branch presence in any borough of New York City or in the Nassau-Suffolk MD. In November 2010, People's United acquired The Bank of Smithtown, which had 30 branches in the Nassau-Suffolk MD and one branch in Manhattan. In June 2012, People's United acquired 57 branches in New York State from RBS Citizens, including 53 branches located in Stop & Shop supermarkets and four traditional branches. According to People's United, the bank did not acquire any loans or loan origination personnel as a result of these acquisition-related activities.

People's United represented that the vast majority of branches it acquired in the RBS Citizens transaction were located in Stop & Shop supermarkets that did not have employees trained to take residential mortgage applications. People's United stated that it has developed its mortgage origination program in New York City and the Nassau-Suffolk MD by conducting financial literacy and homebuyer education programs; trained staff in the former RBS Citizens branches to accept residential mortgage loan applications;¹² hired retail lending staff including five new mortgage account officers; and expanded the availability throughout its footprint of mortgage products focused on the needs of LMI borrowers and first-time homebuyers (discussed further below). People's United stated that as a result of its mortgage training and mortgage staff-hiring initiatives, the bank has observed an increase in the number of mortgage applications taken by its New York branch employees. Specifically, the bank stated that the number of applications taken, the dollar volume of applications taken, and the number of applications resulting in completed loan transactions has, in each year, doubled from 2012 to 2015.

People's United stated that it will build on SCNB's home mortgage product offering with (i) additional products and services not currently offered by SCNB, i.e., Federal National Mortgage Association "Home Ready" programs, the People's United's proprietary affordable mortgage lending product, the "People's Affordable Mortgage" (PAM),¹³ and U.S. Department of Veterans Affairs, Fair Housing Administration, and U.S. Department of Agriculture loans; and (ii) People's United's outreach services, such as its First-Time Homebuyer seminars, Financial Education Community Outreach Program, and its Masters' program, which is focused on financial issues of interest to seniors. In addition, People's United represented that it expanded the availability of mortgage products focused on the needs of LMI borrowers and first time homebuyers by joining the New York Mortgage Coalition and began participating in the State of New York Mortgage Authority's Achieve the Dream, Low Interest Rate, and Co-Op Loan Programs. In sum, People's United represented that all major residential mortgage products currently offered by SCNB will continue to be available to current SCNB customers, and

¹² Specifically, People's United stated that when the bank acquired the 57 branches from RBS Citizens, in June 2012, all managers and a number of experienced platform staff of the acquired branches completed the Nationwide Mortgage Licensing System (NLMS) mortgage training process. According to People's United, currently there are 160 branch employees in New York (including employees in the Nassau-Suffolk MD) who are NLMS-certified and have completed its mortgage certification program, and are authorized to take applications in the branch for first and second mortgages.

¹³ According to People's United, the bank's PAM product is designed to provide more flexible underwriting criteria than those applicable to some other types of loan programs.

People's United's full suite of residential mortgage products will be also available to customers of the combined organization.

Outreach Efforts

People's United described its recently-implemented mortgage outreach program, developed by a multi-disciplinary team led by the bank's chief retail banking officer. The program is specifically targeted to the needs of the LMI populations, with particular attention directed to the bank's newer markets, such as New York City and the Nassau-Suffolk MD. People's United stated that its mortgage outreach program is intended to increase the volume of applications the bank receives from LMI applicants and from LMI geographies. As part of this program, People's United stated that it has hired six mortgage account officers since the beginning of 2015 and is actively recruiting for three additional positions. In addition, the bank has established an Affordable Lending Manager position for the Long Island and New York City markets, and is in the process of recruiting for a newly-created Community Lending position for New York City and the Nassau-Suffolk MD. The bank further represented that SCNB branch employees, who currently do not accept mortgage applications, will become certified to accept mortgage applications post-consummation.

iii. Branch Network and Product Offering

In response to concerns regarding how People's United intended to meet the convenience and needs of its communities, including the needs of LMI consumers and geographies, the bank discussed the benefits of its branch network in New York City and the Nassau-Suffolk MD, including its supermarket branches that offer expanded evening and weekend hours. Further, People's United stated that, in general, upon merger consummation, the bank expects to improve upon the suite of products and services currently offered by SCNB by offering additional products and services not presently available to SCNB customers, or by offering similar products and services with more favorable terms and pricing.

Business and Retail Transaction Accounts

People's United represented that its offering of consumer-friendly business and retail transaction accounts will be made available to all customers of the combined organization. People's United stated that its transaction accounts include several products with features similar to corresponding products offered by SCNB.¹⁴ People's United represented that, as part of the systems conversion that will integrate SCNB's accounts into People's United's operating system, People's United intends to assign customers of SCNB to the People's United account type that most closely resembles their existing account. To the extent that any legacy SCNB retail checking customers are assigned to a People's United account with monthly maintenance and ATM fees higher than those of the former SCNB account, People's United will maintain the lower fee structure of the former SCNB account for at least one year following the systems

¹⁴ People's United provided detail regarding its business and retail transaction account offering as compared to SCNB's product offering in public exhibits to its AIR Responses.

conversion. People's United further represented that business and commercial deposit customers of SCNB will retain any favorable standard monthly pricing, earnings credit rate, and interest rate balance tiers for at least one year following the merger. The bank also represented that any pricing or account features of People's United accounts that are more favorable to the customer than those of the former SCNB account generally will be applied immediately following the systems conversion.¹⁵

Consumer Loans

People's United stated that it offers a variety of consumer loan products, including personal loans and credit lines, collateral loans, new and used vehicle loans, and loans secured by marketable securities, all of which will be made available to customers of the resultant bank. People's United represented that there are no products currently offered by SCNB that will not be available to customers following the systems conversion. People's United will therefore be making available consumer loan products not currently offered by SCNB, including personal time loans and unsecured personal lines of credit.

iv. CD Lending and Investment

In response to concerns regarding CD lending, People's United stated that it has significantly increased the volume, complexity, geographic diversity and sophistication of its CRA-related investments during the last three years. The bank represented that since the end of the evaluation period for the last CRA examination (June 2013), People's United has approved CRA-related investments totaling more than \$177 million, of which more than \$159 million has been funded. People's United stated that in the three years since the end of the evaluation period for the bank's last CRA examination, the bank has made a concerted effort to increase its level of investments in the state of New York, and in particular New York City and the Nassau-Suffolk MD. People's United represented that as of June 30, 2016, the bank had made investments totaling more than \$31 million in New York State, of which \$6 million were new investments attributable to the Nassau-Suffolk MD and \$17 million to New York City.

v. Philanthropy

Some commenters expressed concerns about People's United's grant-making practices. Specifically, the commenters were concerned not with People's United's overall level of grant-making, but in the average dollar amount of each grant. The OCC received a substantial number of letters from community groups describing the bank's grant-making activities as positively impactful.

C. Fair Lending

Commenters expressed concerns related to People's United's lending practices in New York City and the Nassau-Suffolk MD based on 2012 to 2014 HMDA data, including concerns regarding denial disparities to African Americans. With regard to the lending concerns raised by

¹⁵ People's United's AIR Responses note that Certificate of Deposit accounts held by SCNB customers will retain all account features through the first maturity date.

commenters, the OCC notes that HMDA data alone are not adequate to provide a basis for concluding that an institution is engaged in lending discrimination or to indicate whether its level of lending is sufficient. Specifically, HMDA data do not take into consideration borrower creditworthiness, housing prices, collateral values, credit scores, and other factors relevant to each credit decision, nor do they fully reflect the range of an institution's lending activities and efforts.

Pursuant to 12 CFR 25.28(c), the results of the OCC's evaluation of a bank's CRA performance may be adversely affected by evidence of discriminatory or other illegal credit practices. The OCC may lower the overall rating of an institution based on findings of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by any affiliate whose loans are considered part of the bank's lending performance. People's United's CRA PE dated 2013, noted that the OCC had not identified evidence of discriminatory or other illegal credit practices with respect to the bank during the evaluation period.

In considering the proposed transaction, the OCC reviewed People's United's lending data in New York City and the Nassau-Suffolk MD. Based on the OCC's analysis, including information gathered during the ongoing supervisory process,¹⁶ the OCC did not identify information inconsistent with approval of this Application.

Monitoring of HMDA Data

In response to the concern raised by commenters, People's United stated that its denial rates for African-Americans in the Nassau-Suffolk MD from 2012-2014, like its denial rates for all applicants, reflect decisions based on underwriting criteria that are applied without regard to the race of the borrower. People's United further stated that it is firmly committed to compliance with all fair lending laws and regulations, and that the bank maintains a comprehensive fair lending program, which includes statistical analysis, comparative file reviews, a risk assessment process, and an annual training requirement for affected personnel. People's United described its processes for monitoring its HMDA data.

People's United stated that its CRA team performs a semi-annual self-assessment, which includes an analysis of performance indicators derived from the bank's HMDA data. The self-assessment is shared with staff responsible for CD and CRA initiatives as well as senior executive management through the bank's CRA Investment Committee and CRA and Community Development Committee. Further, the bank performs regression analysis testing and comparative file reviews on HMDA reportable and non-HMDA reportable consumer loans on an annual basis.

An internal CRA-focused team reviews data included in HMDA reports on a monthly basis as part of its review of new mortgage loan applications, origination and market penetration, including an evaluation of lending to minorities, LMI applicants and lending to applicants within majority-minority and LMI census tracts. People's United represented that it uses the results of

¹⁶ The OCC will continue to assess potential lending discrimination as part of its supervisory process.

this analysis to assess the effectiveness of various steps being taken by the bank to enhance its mortgage origination results in LMI and minority communities.

People's United represented that under the direction of the Chief Compliance Officer, the bank's fair lending team works with the bank's Business Compliance Officers and Business Line Managers to assess the adequacy of controls and measure the degree of enterprise fair lending risks, monitors and reviews the business line processes, conducts data and statistical analysis, and oversees HMDA and CRA data filing. People's United's fair lending policy, which is reviewed and approved annually by the Board's Enterprise Risk Committee, is made available to all bank employees. People's United also represented that any complaints alleging discrimination are required to be referred to the Fair Lending Officer for resolution. Lastly, People's United represented that its annual fair lending training, coupled with CRA training, is required for bank personnel who are customer facing and to back-office personnel who may interact with customers or make credit-related decisions at any point during the credit life cycle.

D. Request for Extension of the Comment Period

The commenters requested that the OCC extend the comment period and deny the application. The standard that the OCC applies to determine whether to extend a public comment period is set forth in 12 CFR 5.10(b)(2), which provides:

The OCC may extend the comment period if: (i) The applicant fails to file all required publicly available information on a timely basis to permit review by interested persons or makes a request for confidential treatment not granted by the OCC that delays the public availability of that information; (ii) Any person requesting an extension of time satisfactorily demonstrates to the OCC that additional time is necessary to develop factual information that the OCC determines is necessary to consider the application; or (iii) The OCC determines that other extenuating circumstances exist.

After careful consideration, the OCC determined not to extend the public comment period. None of the reasons set forth in 12 CFR 5.10(b)(2) as justification for extending the comment period were evident in connection with this application.

E. Request for Public Hearing

The commenters requested that the OCC hold a public hearing on the application. The standard that the OCC applies to determine whether to grant or deny a hearing request is set forth in 12 CFR 5.11(b), which provides:

The OCC generally grants a hearing request only if the OCC determines that written submissions would be insufficient or that a hearing would otherwise benefit the decision-making process. The OCC also may order a hearing if it concludes that a hearing would be in the public interest.

After careful consideration, the OCC has determined not to hold a public hearing. The OCC has thoroughly reviewed the public comments that were submitted and is not aware of any reason

why the written comments are insufficient or why a public hearing would be in the public interest.

VI. Summary

As discussed above, the CRA requires that the OCC take into account the banks' performance under the CRA in considering the Application. In addition, the BMA requires the OCC to consider the convenience and needs of the community to be served. Although the banks' CRA performance and the convenience and needs of the communities to be served are interrelated, consideration of a bank's CRA performance primarily looks to how the bank has performed in the past, while a convenience and needs assessment considers how the merged entity will serve the needs of its community on a prospective basis.

The OCC has considered and assessed the issues and concerns raised by individuals and community organizations relating to various aspects of People's United's CRA-related activities. The OCC has reviewed: (i) the banks' CRA PE records; (ii) written public comments in support of and opposition to the Application; (iii) People United's AIR Responses; and (iv) information available to the OCC as a result of its supervisory responsibilities. Based on the OCC's analysis, the OCC did not identify information inconsistent with approval of this Application.

VII. Consummation Requirements

The OCC Northeastern District Licensing Office must be advised in writing at least 10 days in advance of the desired effective date for the transaction, so it may issue the necessary certification letter. The effective date must also occur after any other required regulatory approval. If the transaction is not consummated within six months from the date of this letter, the approval shall automatically terminate unless an extension has been granted.

We will not issue a letter certifying consummation of the transaction until after we have received: (1) An original secretary's certificate for each bank certifying that the shareholders have approved the proposed transaction; (2) An original secretary's certificate for each bank certifying that a majority of the board of directors have agreed to the proposed transaction; (3) an executed merger agreement; and, (4) documentation that any other required regulatory approvals have been obtained.

This decision and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. Our decision is based on the representations made in the application, other submissions, and other information available to the OCC as of this date. The OCC may modify, suspend, or rescind this decision if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

Susan D. Stanley, Esq.
People's United Bank, National Association
2016-NE-Combination-216710

All correspondence and questions regarding this application should be directed to Sandya Reddy, Senior Licensing Analyst, Northeastern District Office, (212)720-4055. Reference the OCC control number in all correspondence.

Sincerely,

signed

Stephen A. Lybarger
Deputy Comptroller for Licensing