

## OFFICE OF THRIFT SUPERVISION

### Approval Of Application For Permission To Organize A Federal Savings Bank

**Order No.:** 2005-07  
**Date:** February 28, 2005  
**Re:** OTS No. 17982

Thirteen persons (Organizers) (see Appendix A) have applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. § 552.2-1 to organize bankblackwell, Boston, Massachusetts (Savings Bank), as a federal savings bank (the Application). The Savings Bank will be a member of the Savings Association Insurance Fund.

#### **The Proposed Transaction**

The Organizers propose to establish and to operate a *de novo* federal savings association, the Savings Bank. The Savings Bank's product offerings will include savings accounts, certificates of deposit, mortgage loans, home equity loans and church loans. The Savings Bank intends to conduct a registered public offering of its common stock to raise a minimum of approximately \$16 million and a maximum of \$17.5 million. After expenses of the offering and pre-opening and organizational expenses, the Savings Bank will be capitalized with approximately \$15.2 million to \$16.7 million.

#### **Permission to Organize Application**

The Home Owners' Loan Act (HOLA) provides that OTS may grant a federal savings bank charter only: (i) to persons of good character and responsibility; (ii) if, in OTS' judgment, a necessity exists for such association in the community to be served; (iii) if there is a reasonable probability for the association's usefulness and success; and (iv) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. OTS regulations implementing the HOLA include the same standards, with the additional requirement that OTS consider whether the association will promote credit for housing consistent with the safe and sound operation of a federal savings association.

In addition, OTS' regulations regarding the establishment of *de novo* federal savings associations (Regulation) sets forth standards OTS considers in determining whether to grant a *de novo* federal charter. The Regulation provides standards for: (i) initial capitalization of the federal savings bank; and (ii) the residence and composition of the savings bank's board of directors.

Further, 12 C.F.R. § 563e.29(b) provides that an applicant for a federal thrift charter must submit with its application a description of how it will meet its Community Reinvestment Act (CRA) objectives. OTS is required to take this description into account when considering the application and may deny or condition approval on CRA grounds.

With respect to character and responsibility, routine background checks were completed on the proposed directors and senior executive officers for the Savings Bank, and no material adverse information was disclosed. The Application indicates that the officers and directors of the Savings Bank have the experience to operate a savings association. Because one senior officer was not identified sufficiently early to permit a background check to be completed, approval is being conditioned on the proposed senior executive officer taking such action as directed by the Regional Director if the background investigation of the individual reveals adverse information. Also, OTS is conditioning approval on the Savings Bank receiving, for the first year following commencement of operations, the prior non-objection of the Regional Director for any proposed new directors or senior executive officers or any significant change in responsibilities of any senior executive officer. These conditions are intended to insure that management has the requisite character and responsibility. Based on the foregoing, OTS concludes that this approval criterion is satisfied, subject to the imposition of the recommended conditions.

As for the necessity for the Savings Bank in the community and undue injury to properly conducted existing local thrift and home financing institutions, the Savings Bank will initially concentrate its marketing efforts in the eastern Massachusetts geographic area, including the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA). The population of, and insured deposits in, the MSA have grown in recent years, and are expected to continue to grow. The Application indicates that the Savings Bank will not hold a significant percentage of the deposits in the MSA. Therefore, OTS concludes that there is a need in the community for the Savings Bank, and that the establishment of the Savings Bank will not cause undue harm to other existing local thrift and home financing institutions. Accordingly, OTS concludes that these approval criteria are satisfied.

With respect to the reasonable probability of usefulness and success, OTS reviewed the Savings Bank's business plan, proposed capital levels, and the competence of proposed management. With respect to capital, the Savings Bank plans to be well capitalized throughout its first three years of operations. OTS concludes that the Savings Bank will have capital sufficient for its proposed level of operations. OTS concludes that the Savings Bank's business plan is acceptable. As discussed above, OTS concludes that the proposed officers and directors of the Savings Bank have sufficient experience to operate a savings association. To help ensure the probable success of the Savings Bank, OTS will require that the Savings Bank operate within the parameters of its business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan for the prior written non-objection of the Regional Director no later than 60 calendar days before the desired implementation date (with a copy to the Federal Deposit Insurance Corporation (FDIC) regional office). If the Savings Bank's capital level (tier 1 core capital ratio) declines by more than 25 basis points from the business plan financial projections, OTS will require the Savings Bank to take immediate corrective action by slowing growth, shrinking the balance sheet and/or infusing additional capital in order to comply with

business plan projections for core capital levels. Further, the Savings Bank must submit quarterly variance reports from the financial projections included in the business plan within 45 days after each quarter for the first three years of operations detailing the Savings Bank's compliance with the business plan financial projections and an explanation of any material deviations. The Savings Bank must submit annual independent audit reports on the Savings Bank to the Regional Director for the first three years of its operations.

In addition, the Savings Bank must: (i) provide evidence to the Regional Director that an independent security review and test of its Internet banking platform has been performed; (ii) submit copies of all proposed web site disclosures and any policies regarding disclosures concerning the Savings Bank's customers transferring directly from the Savings Bank's web site to another web site selling financial products; and (iii) prior to opening for business, provide a description of the controls and processes it will use to verify third party accounts and assure the accuracy of its links to third party accounts. The conditions are intended to ensure the safe and sound operations of the Savings Bank. Also, OTS will require the Savings Bank to, at least 30 days prior to commencing operations, develop and submit to the Regional Director for his review and non-objection, policies, procedures and internal controls for the Bank Secrecy Act, privacy of consumer financial information laws and regulations, and fair lending laws and regulations. Based on the above, OTS concludes that the Savings Bank's probability of usefulness and success is consistent with approval, subject to the imposition of the conditions, which are intended to help ensure that the Savings Bank operates in a safe and sound manner.

With respect to the provision of credit for housing, the Savings Bank will extend credit for housing within its market area and in the national market. The Savings Bank's business plan is reasonable and projects sufficient residential mortgage lending. The Savings Bank has provided information demonstrating that it will meet its Qualified Thrift Lender requirements. Accordingly, OTS concludes that the Savings Bank will provide credit for housing in a safe and sound manner.

OTS regulations require that a majority of a *de novo* federal association's board of directors be "representative" of the state in which the association is located. Most of the Savings Bank's proposed directors reside or work in the state in which the Savings Bank will be located. OTS regulations also require that a *de novo* federal association's board of directors be diversified and composed of individuals with varied business and professional experience. Based on the varied experience of the Savings Bank's proposed directors, OTS concludes that the Savings Bank's proposed board of directors meets this criterion.

With respect to the CRA and OTS' CRA regulations, the Savings Bank's initial CRA assessment area will consist of the of the eastern Massachusetts area, including the Boston-Cambridge-Quincy, MA-NH MSA. The Savings Bank intends to make mortgage loans in the national market, and expects to meet the borrowing needs of its assessment area through residential mortgage lending. OTS concludes that the Savings Bank has satisfactorily demonstrated that it will meet its CRA objectives.

**Conclusion**

OTS has considered the Application under the standards set forth in 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.3 and 552.2-1(b), and under the CRA, 12 U.S.C. §§ 2901, *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. OTS finds that the Application satisfies the applicable approval standards, provided the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director). Accordingly, the Application is hereby approved, subject to the following conditions:

1. The Savings Bank must receive all required regulatory approvals and submit copies of all such approvals to the Regional Director prior to consummation of the proposed transaction;
2. The proposed transaction must be consummated within 120 calendar days from the date of this Order;
3. On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank, respectively, as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of the Savings Bank or OTS since the date of the financial statements submitted with the Application, the transaction shall not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
4. The Savings Bank must advise the Regional Director in writing, within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts; (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Application and this Order; (c) of the exact number of shares of Savings Bank's common stock sold in the public offering; and (d) must provide a reconciliation of the Savings Bank's capital;
5. The Savings Bank must submit independent audit reports to the Regional Director for its first three fiscal years. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its three-year business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan for the prior written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days before the desired implementation date, with a copy sent to the FDIC Regional Office. If the Savings Bank's capital level (tier 1 core capital ratio) declines by more than 25

basis points from the business plan financial projections, OTS will consider the decline a major deviation from the business plan, and will require the Savings Bank to take immediate corrective action by slowing growth, shrinking the balance sheet and/or infusing additional capital in order to comply with business plan projections for core capital levels;

7. For three years following commencement of operations, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan and an explanation of any material deviations;
8. Prior to opening for business, the Savings Bank must provide evidence to the Regional Director that an independent security review and test of its Internet banking platform has been performed. The Savings Bank must also send a copy of an un-redacted report to the Regional Director. The review must be conducted by an independent computer security specialist (Reviewer) and must include testing to determine the adequacy of protection against unauthorized external access, including individual penetration attempts, computer viruses, denial of service, and other forms of electronic access. In addition, the review must assess the adequacy of internal security. The Reviewer must confirm, in writing, that security measures, including the firewall, have been satisfactorily implemented and tested. The report must critique the effectiveness of security policies and controls and confirm, with reasonable certainty, that unauthorized internal or external data and network access or access attempts are detected and recorded. The Savings Bank must agree that it will attempt to correct all deficiencies noted in the report within a reasonable amount of time. In addition, the Savings Bank must perform such a review prior to the initial implementation of any subsequent Internet service delivery providers and provide the report to the Regional Director. These reviews are subject to any additional standards or requirements set by the Regional Director, including prior OTS review of the qualifications of the independent computer security specialists;
9. Before the Savings Bank's customers may transfer directly from the Savings Bank's web site to another web site selling financial products, the Savings Bank must submit copies of all proposed web site disclosures and any policies regarding such disclosures for the review and non-objection of the Regional Director. This information must be submitted at least 30 calendar days prior to the desired implementation date;
10. Prior to opening for business, the Savings Bank must provide a description of the controls and processes it will use to verify third party accounts and assure the accuracy of its links to third party accounts.
11. At least 30 calendar days prior to commencing operations, the Savings Bank must develop and submit to the Regional Director for his review and non-objection, policies, procedures and internal controls regarding compliance with the Bank

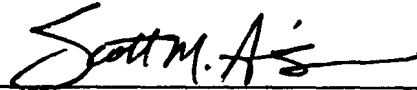
Secrecy Act, privacy of consumer financial information laws and regulations, and fair lending laws and regulations;

12. For one year following commencement of operations, the Savings Bank must receive the prior non-objection of the Regional Director for any proposed new directors or senior executive officers or any significant change in responsibilities of any senior executive officer; and
13. The proposed senior executive officer for which the Savings Bank recently submitted background information must take such action as directed by the Regional Director if the background investigation of the individual reveals adverse information.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or his designee, effective

February 28, 2005



\_\_\_\_\_  
Scott M. Albinson  
Managing Director  
Office of Examinations, Supervision,  
and Consumer Protection

bankblackwell Organizers

<u>Name</u>	<u>Position</u>
James R. Mundy	President, Chief Executive Officer and Director
Patrick V. D'Ambrosio	Chief Lending Officer
Ellen Kasprzyk	Chief Financing Officer
Ivan Bruce Narasin	Chief Information Officer and Director
Mary M. Schrader	Senior Vice President of Retail Banking
Michael Burley	Director
William Cowan	Director
Thomas Farrington	Director
Ernest Nwankwo	Director
Mbadiwe Okongwu	Director
Omar Wasow	Director
Lisa R. Mundy	Investor
Sheila E. Cronin	Investor