



**CRA Decision #192  
October 2018**

September 12, 2018

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850 Main Street  
Bridgeport, CT 06604

Subject: Application to merge Farmington Bank, Farmington, Connecticut with and into People's United Bank, National Association, Bridgeport, Connecticut  
OCC Control No.: 2018-NE-Combination-303929  
Charter No: 25103

Dear Ms. Bova:

The Office of the Comptroller of the Currency (OCC) hereby approves the application to merge Farmington Bank, Farmington, Connecticut (Farmington) into People's United Bank, National Association, Bridgeport, Connecticut (People's United). People's United is authorized to retain its own main office as the main office of the resulting bank and to retain and operate as branches its existing branches and the main office and branches of Farmington. The OCC also approves People's United's retention of subsidiaries of Farmington, as further discussed below. This approval is granted after a thorough review of the application, other materials supplied by bank representatives, and additional information available to the OCC, including commitments and representations made in the application, and during the application process.

**I. Background and the Transaction**

People's United is a national bank headquartered in Bridgeport, Connecticut, and a direct wholly-owned subsidiary of People's United Financial, Inc. (PFI), 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 (the BHC Act). People's United, which was founded in 1842, is the only depository institution subsidiary of PFI. People's United converted from a Connecticut-chartered savings bank to a federally-chartered stock savings bank on August 18, 2006, and converted from a federally-chartered stock savings bank to a national bank on February 23, 2015. People's United has a network of approximately 394 branches in Connecticut, Maine, Massachusetts, New Hampshire, New York and Vermont. People's United and its subsidiaries provide commercial, retail, and small business banking, as well as wealth management services to individual, corporate, and municipal customers. As

of March 31, 2018, People's United had total assets of approximately \$44.1 billion and total deposits of approximately \$32.9 billion.

Farmington is a Connecticut-chartered stock savings bank headquartered in Farmington, Connecticut, and a direct wholly-owned subsidiary of First Connecticut Bancorp, Inc. (First Connecticut), a Maryland corporation and a bank holding company under the BHC Act. Founded in 1851, Farmington is the only depository institution subsidiary of First Connecticut and a full-service community bank serving the needs of its local residents through branch offices in central Connecticut and western Massachusetts. Farmington offers commercial and retail banking products and services as well as wealth management services. As of March 31, 2018, Farmington had total assets of approximately \$3.1 billion and total deposits of approximately \$2.4 billion.

PFI requested and received confirmation from the Board of Governors of the Federal Reserve System that an application and approval is not required under Section 3 of the BHC Act in connection with the proposed merger pursuant to Section 225.12(d)(2) of Regulation Y. Pursuant to the Merger Agreement, First Connecticut will merge with and into PFI, with PFI being the surviving company. Following the consummation of the bank holding company merger, Farmington will merge with and into People's United, with People's United continuing as the surviving institution.

## **II. Legal Authority**

### **A. 12 USC 215a**

Mergers of a state bank with a national bank resulting in a national bank are authorized under the procedures, requirements, conditions and rules set forth in section 3 of the National Bank Consolidation and Merger Act (NBCMA), 12 USC 215a. The OCC is also required to consider regulatory requirements contained in 12 CFR 5.33. People's United and Farmington have complied with the applicable requirements.

People's United has also requested retention of Farmington's branches as branches of People's United after the merger is authorized. Under 12 USC 36(c), a national bank may establish branches in a state, if a state bank may establish a branch at that location. Under 12 USC 36(b)(2)(A), the resulting bank may retain the acquiring bank's branches in a merger, unless a state bank in an identical situation would be prohibited from retaining such branches. The OCC has determined that People's United may retain Farmington's branches under Connecticut and Massachusetts law.

### **B. Bank Merger Act**

The OCC also reviewed the proposed merger transaction under the criteria of the Bank Merger Act (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. 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 the application.

The OCC must also consider the convenience and needs of the community to be served under the BMA as well as the record of compliance with the Community Reinvestment Act (CRA) of each applicant bank in a merger transaction. 12 USC 1828(c)(5), 2903(a)(2), 2902(3)(E); 12 CFR 25.29(a)(3). As discussed in more detail below, the OCC has considered these factors and found them consistent with approval of the application.

### **III. Retention of Subsidiaries**

People's United will retain the following six operating subsidiaries of Farmington:

1) Farmington Savings Loan Servicing, Inc., 2) Village Investments, Inc., 3) The Village Corp., Limited, 4) 28 Main Street Corp., 5) Village Management Corp., and 6) Village Square Holdings, Inc. The activities of the Farmington subsidiaries are permissible for national banks under 12 CFR 5.34 and consistent with published OCC guidance.

### **IV. CRA and Convenience and Needs**

In evaluating this proposed transaction, the OCC has carefully considered (i) People's United and Farmington's most recent CRA performance evaluations (PE), (ii) information available to the OCC as a result of its supervisory responsibilities, (iii) written public comments, and (iv) information provided by People's United in response to a public comment.

#### **A. 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 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.

## 1. People's United's CRA Performance

People's United's most recent CRA PE, prepared by the OCC, is dated November 7, 2016. The bank's overall rating was "satisfactory."<sup>1</sup> The major factors that supported this rating included: (i) the bank's adequate distribution of lending by income level of geography; (ii) the augmentation of the bank's poor home mortgage lending distribution by good small business lending distribution; (iii) the bank's good distribution of lending by borrower income level, as evidenced by its good overall home mortgage distribution and adequate small business lending distribution; (V) the bank's adequate levels of community development (CD) lending; (v) the bank's good levels of qualified investment activities and responsiveness to assessment area (AA) needs; (vi) the accessibility of the bank's branches throughout its AAs; and (vii) the bank's excellent level of CD services.

## 2. Farmington's CRA Performance

Farmington's most recent CRA PE, prepared by the Federal Deposit Insurance Corporation (FDIC), is dated May 17, 2016. The bank's overall CRA rating was "outstanding."<sup>2</sup> The major factors that supported this rating included: (i) the bank's lending levels reflected good responsiveness to AAs credit needs; (ii) an adequate percentage of the bank's loans were made in its AAs; (iii) the bank's geographic distribution of loans reflected adequate penetration throughout its AAs; (iv) the bank's distribution of loans reflected good penetration among retail customers of different income levels and business customers of different sizes; (v) the bank was a leader in making CD loans; (vi) the bank used innovative and/or flexible lending practices to serve AAs credit needs; (vii) the bank had an excellent level of qualified CD investments and grants; (viii) the bank exhibited excellent responsiveness to credit and community economic development needs; (ix) the bank occasionally used innovative and/or complex investments to support CD initiatives; (x) the bank's delivery systems were reasonably accessible to essentially all portions of the bank's AAs; (xi) to the extent the bank made changes, the opening and closing of branches improved the accessibility of delivery systems, particularly in LMI geographies or to LMI individuals; (xii) the bank's services and business hours did not vary in a way that inconvenienced certain portions of AAs, particularly LMI geographies or individuals; and (xiii) the bank was a leader in providing CD services.

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<sup>1</sup> The OCC evaluated People's United for CRA purposes as a large institution. OCC examiners reviewed Home Mortgage Disclosure Act (HMDA) reportable loans and small business loans for the period January 1, 2013, through December 31 2015. *See* CRA PE (Nov. 7 2016), Table 1. Examiners also reviewed community development activities from July 1, 2013 through December 31, 2015. *Id.* A copy of the CRA PE is available at <https://www.occ.gov/static/cra/craeval/may18/25103.pdf>. People's United received an overall "low satisfactory" rating on the lending test, and "high satisfactory" ratings for both the investment and service tests.

<sup>2</sup> The FDIC evaluated Farmington for CRA purposes as a large institution. FDIC examiners reviewed HMDA reportable loans and small business loans for the period April 22, 2013, through May 17, 2016. *See* CRA PE (May 17, 2016). Examiners also reviewed CD loans, investments, and services from April 23, 2013 through May 17, 2016. *Id.* A copy of the CRA PE is available at [https://www5.fdic.gov/CRAPES/2016/18208\\_160517.PDF](https://www5.fdic.gov/CRAPES/2016/18208_160517.PDF). Farmington received an overall "high satisfactory" on the lending test, and "outstanding" ratings on the investment and service tests.

## **B. Convenience and Needs**

Under the BMA, the OCC considers the convenience and needs of the communities to be served by the resulting bank.<sup>3</sup> 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* (November 2017), 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 combined bank will help to meet the needs of its community on a prospective basis. The OCC has concluded that approval of this transaction is consistent with the convenience and needs of the communities that the resulting bank will serve.

## **V. Public Comment**

### **A. Summary of Public Comment, Applicant's Response and Analysis**

The OCC received and considered one comment letter concerning the proposed transaction. Citing 2014 and 2016 HMDA data, the commenter expressed concerns about the volume of People's United's retail mortgage lending to African American and Hispanic borrowers when compared to white borrowers in the New York-Jersey City-White Plains (NY-NJ) Metropolitan Division (MD) and in the Hartford-West Hartford-East (Hartford) Metropolitan Statistical Area (MSA). Specifically, the commenter expressed concerns about People's United's home purchase and refinance lending in the NY-NJ MD, and refinance lending in the Hartford MSA. The commenter also requested that the OCC extend the comment period and hold evidentiary hearings to assess the application.

The OCC considered People's United's response to the commenter's concerns. Citing 2017 HMDA data, People's United asserted that it has improved its lending to African American and Hispanic borrowers in the NY-NJ MD and the Hartford MSA. Specifically, People's United represented that its percentage of home purchase lending to African American and Hispanic borrowers exceeded the percentage of peer institutions' lending in the NY-NJ MD, as did its refinance lending in both the NY-NJ MD and the Hartford MSA. People's United asserted that it is committed to compliance with all fair lending laws and regulations and maintains a comprehensive fair lending program to monitor and manage fair lending risks. People's United discussed its mortgage products,<sup>4</sup> including the use of state programs and other credit enhancements, dedicated loan officers, and partnerships with community groups and community development financial institutions to reach qualified applicants throughout its footprint. Additionally, People's United highlighted its community and economic

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<sup>3</sup> See 12 USC 1828(c)(5); 12 CFR 5.33(e)(1)(ii)(C).

<sup>4</sup> People's United stated that it continues to offer its proprietary affordable mortgage products, "People's Affordable Mortgage," which provides flexible underwriting standards and low down payment obligations.

development investments and outreach, including providing first time homebuyer seminars, as additional evidence of its effort to meet the needs of the communities it serves.

Disparities in mortgage lending that are correlated with prohibited basis characteristics are of concern to the OCC, and the OCC monitors HMDA data reported by the institutions it regulates to determine those institutions that exhibit heightened risk. However, 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, 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.<sup>5</sup>

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 upon 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 noted that the OCC had not identified evidence of discriminatory or other illegal credit practices with respect to the bank during the evaluation period January 1, 2013 through December 31, 2015. In addition, People's United is subject to the OCC's ongoing supervisory program to monitor fair lending risk and compliance with the Fair Housing Act and its implementing regulation.<sup>6</sup>

## **B. Request for Extension of the Comment Period**

The commenter 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.

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<sup>5</sup> This applies to the HMDA data collected during the timeframe mentioned in the public comment. HMDA data collected beginning in 2018 will include information on some of these variables for lenders that made 500 or more closed-end mortgage loans or 500 or more open-end lines of credit in at least one of the two preceding calendar years.

<sup>6</sup> 42 USC 3601 *et seq*; 24 CFR Part 100. The Bureau of Consumer Financial Protection has exclusive supervisory and primary enforcement authority with respect to People's United's compliance with the Equal Credit Opportunity Act. 15 USC 1691 *et seq*; 12 USC 5515.

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. Accordingly, after careful consideration, the OCC determined not to extend the public comment period.

### **C. Request for Public Hearing**

The commenter 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.

The OCC has thoroughly reviewed the public comment that was submitted and is not aware of any reason why the written comment is insufficient or why a public hearing would be in the public interest. Accordingly, after careful consideration, the OCC has determined not to hold a public hearing.

### **D. Summary of Consideration of Public Comments**

The OCC has considered all of the facts of record, including the banks' records of performance under the CRA, the banks' record of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by People's United, and the public comment on the proposal. Based upon this review, the OCC finds the facts to be consistent with approval.

## **VI. Consummation Requirements**

OCC Northeastern District Licensing Office staff must be advised in writing at least 10 days in advance of the desired effective date for the merger so we may issue the necessary certification letter. If the transaction is not consummated within six months from the date of this letter, the approval shall automatically terminate unless the OCC grants an extension of the time period.

The effective date must follow the applicable Department of Justice's 15-day injunction period and any other required regulatory approval.

The OCC will not issue a letter certifying consummation of the transaction until the following are received:

- An Original Secretary's Certificate for People's United, certifying that a majority of the board of directors approved the merger.

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- An Original Secretary's Certificate from People's United, certifying that the shareholder approvals have been obtained.
- Documentation that any other required regulatory approval has 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.

A separate letter is enclosed requesting the bank's feedback on how we handled the application. If you have questions, contact Senior Licensing Analyst, Sandya Reddy at (212) 790-4049 or email [Sandya.Reddy@occ.treas.gov](mailto:Sandya.Reddy@occ.treas.gov). Please include the OCC Control Number on any correspondence related to this filing.

Sincerely,

/s/

Stephen A. Lybarger  
Deputy Comptroller for Licensing

Enclosure: Survey Letter