



**CRA Decision #199
November 2019**

October 3, 2019

Christina M. Gattuso, Partner
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607 14th Street, NW Suite 900
Washington, DC 20005-2018

Subject: Application by Columbia Bank, Fair Lawn, New Jersey to merge with
Atlantic Stewardship Bank, Midland Park, New Jersey

OCC Control No.: 2019-NE-Combination-309821

Charter No.: 702454

Dear Ms. Gattuso:

The Office of the Comptroller of the Currency (OCC) hereby approves Columbia Bank's application to merge Atlantic Stewardship Bank with and into Columbia Bank under the charter and title of the latter (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 your representatives during the application process.

I. Background and the Transaction

Columbia Bank is a \$6.97 billion stock federal savings association (FSA) that was founded in 1927 and offers traditional financial services to businesses and consumers in its market area. Columbia Bank is wholly owned by Columbia Financial, Inc. (CFI), a Delaware corporation that was organized in March 1997, as the mid-tier holding company of Columbia Bank. At that time, CFI was a wholly owned subsidiary of Columbia Bank MHC (CMHC). On April 19, 2018, CFI completed its minority public stock offering. Columbia Bank has 50 branch offices, including its main office, all located in New Jersey.

Atlantic Stewardship Bank is a \$960 million, New Jersey-chartered, non-member bank that was formed in April 1984. Atlantic Stewardship Bank operates from its main office in Midland Park, New Jersey and has 11 additional branches all located in New Jersey. Atlantic Stewardship Bank is wholly owned by Stewardship Financial Corporation (SFC), also headquartered in Midland Park, New Jersey and supervised by the Board of Governors of the Federal Reserve System.

On July 3, 2019, Columbia Bank submitted an Interagency Bank Merger Act Application to the OCC for the merger of Atlantic Stewardship Bank with and into Columbia Bank (Application) pursuant to an Agreement and Plan of Reorganization By and Among Columbia Financial, Inc. Broadway Acquisition Corp. and Stewardship Financial Corporation dated June 6, 2019. The proposed transaction utilizes a merger subsidiary, Broadway Acquisition Corp. (BAC) which is a wholly-owned subsidiary of CFI. Before any mergers occur, Atlantic Stewardship Bank will first convert to a New Jersey state savings bank for a moment in time and then immediately convert to a New Jersey savings association with SFC becoming a savings and loan holding company. Following these preliminary steps, BAC will merge with and into SFC and immediately following the first step, SFC will merge with and into CFI with CFI as the surviving entity (First-Step Merger). Following the consummation of the First-Step Merger, Atlantic Stewardship Bank will then merge with and into Columbia Bank, with Columbia Bank as the surviving institution.

The OCC received one public comment regarding the proposed merger. The OCC carefully considered the concerns of the commenter as they related to the statutory and regulatory factors considered by the OCC in acting on the merger application, including performance under the Community Reinvestment Act (CRA), and the probable effects of the merger on the convenience and needs of the communities to be served. The public comment is discussed under the *Public Comment and Analysis* section below.

II. Legal Authority

The OCC reviewed the proposed merger application under the OCC regulations governing FSA merger transactions as detailed in 12 CFR 5.33 and incorporating references to the statutes governing such transactions: Section 18 of the Federal Deposit Insurance Act, *codified at* 12 USC § 1828(c) (hereinafter the Bank Merger Act or BMA) and Section 5(d)(3)(A) and 10(s) of the Home Owners' Loan Act, *codified at* 12 USC 1464(d)(3)(A) and 1467a(s).

The BMA requires, among other matters, whether the proposed transaction would have significant anticompetitive effects. The OCC must consider the financial and managerial resources of the banks, their future prospects, their effectiveness in combating money laundering activities, the convenience and needs of the communities to be served, and the risk of the transaction to the stability of the United States banking or financial system. In addition, under the BMA the OCC may not approve a merger, if the resulting insured depository institution (including all insured depository institutions which are affiliates of the resulting insured depository institution) upon consummation of the transaction, would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States. The OCC considered these factors and found them consistent with approval.

Furthermore, 12 USC 2903(a)(2) requires the OCC to take into account the institutions' records of compliance with the CRA. As explained below, the OCC considered this factor and found it consistent with approval.

The OCC considered the standards set forth in 12 CFR 5.31 and has determined that the resulting bank is authorized to retain and operate as branches, the main office and 11 branches of Atlantic Stewardship Bank.¹ Columbia Bank seeks to retain one subsidiary of Atlantic Stewardship Bank: Stewardship Realty, LLC, a non-bank subsidiary of whose primary business is to own and manage property at 612 Godwin Avenue, Midland Park, New Jersey. Based on a thorough review of all information available, including the representations and commitments made in the application and by Columbia Bank's representatives, the OCC concludes that the activities are legally permissible.²

III. Community Reinvestment Act and Convenience and Needs

In evaluating this proposed transaction, the OCC has carefully considered: (i) Columbia Bank's and Atlantic Stewardship Bank's most recent CRA performance evaluations (PE); (ii) information available to the OCC as a result of its supervisory responsibilities; (iii) a written public comment; and (iv) information provided by Columbia Bank in response to the 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 195.29(d). Accordingly, the OCC considered the CRA PE of each bank involved in this transaction. Based on the review, the OCC has concluded that the banks' records of performance under the CRA are consistent with approval of this application.

1. Columbia Bank's CRA Performance

In its most recent CRA PE dated April 24, 2017,³ the OCC assigned Columbia Bank an overall rating of "Satisfactory." The lending test was rated "Low Satisfactory," the investment test was rated "Outstanding," and the service test was rated "High Satisfactory." The major factors supporting the rating include: (i) a majority of home mortgage and small business loans were made within the assessment area (AA); (ii) an adequate geographic distribution of home

¹ See 12 CFR 5.33(e)(2).

² See 12 CFR 5.38(e)(5)(v)(A).

³ The OCC evaluated Columbia Bank under the large bank test. The evaluation period for the lending test, except for community development loans, was January 1, 2014, through December 31, 2016. The evaluation period for qualified community development loans and the investment and service tests was September 23, 2013, through April 24, 2017. A copy of the CRA PE is available at <https://www.occ.gov/static/cra/craeval/sept17/702454.pdf>.

mortgage loans and small loans to businesses by income level; (iii) an adequate distribution of home mortgage lending by borrower income level and poor borrower distribution of small loans to businesses; (iv) a high level of community development (CD) loans; (v) an excellent level of qualified CD investments and grants; (vi) reasonable branch accessibility to LMI individuals in essentially all portions of LMI geographies; and (vii) outstanding levels of CD services.

2. Atlantic Stewardship Bank's CRA Performance

In its most recent CRA PE dated May 30, 2017,⁴ the Federal Deposit Insurance Corporation (FDIC) assigned Atlantic Stewardship Bank an overall rating of "Satisfactory." The lending test was rated "Satisfactory," and the CD test was rated "Outstanding." Major factors supporting the rating include: (i) a reasonable loan-to-deposit ratio; (ii) a majority of small business and home mortgage loans originated within the AA; (iii) reasonable dispersion of loans throughout the AA; (iv) reasonable penetration among businesses of different sizes and individuals of different income levels; (v) no complaints against the bank with respect to CRA performance since the previous evaluation; and (vi) excellent responsiveness to CD needs in the AA.

B. Convenience and Needs

Under the BMA, the OCC considers the convenience and needs of the communities to be served by the resulting bank. Though the bank's 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.

IV. Public Comment and Analysis

A. Summary of Public Comment and Applicant's Response

The OCC received one public comment letter concerning the proposed transaction. The commenter cited Home Mortgage Disclosure Act (HMDA) data from 2015 through 2017 to express its concerns regarding the banks' mortgage lending to minority and LMI borrowers in their AAs. The commenter also expressed concerns about the banks' low level of Federal Housing Administration (FHA) loans. The commenter stated that Atlantic Stewardship Bank

⁴ The FDIC evaluated Atlantic Stewardship Bank under the intermediate small bank test. The review period was May 19, 2014, through May 30, 2017. A copy of the CRA PE is available at https://www5.fdic.gov/CRAPES/2017/26390_170530.PDF.

has a high percentage of applications for home purchase loans that do not close. Additionally, the commenter expressed concern with Atlantic Stewardship Bank's lack of branches in minority neighborhoods. The commenter requested that the OCC require the banks to provide a comprehensive CRA plan to address its concerns with lending and branching patterns.⁵

In its response to the commenter's concerns, Columbia Bank stated that FHA loans are only one means of mortgage lending to lower-income persons. Columbia Bank described the other affordable loan products that it offers to reach this population of borrowers, including its own Affordable Housing Loan Program. Columbia Bank noted that it participates in the First Home Club and the Homebuyer Dream Program offered by the Federal Home Loan Bank of New York, and both Columbia Bank and Atlantic Stewardship Bank provide substantial grant, lending, and underwriting assistance to Habitat for Humanity. Columbia Bank detailed the banks' record of lending to, investing in, and serving the needs of their communities from 2015 through 2017, including LMI and majority-minority communities. Columbia Bank also provided responses to the specific concerns the commenter raised, which are addressed in the analysis below.

B. Analysis

Home Mortgage Lending

As noted above, the commenter expressed concerns regarding Columbia Bank's and Atlantic Stewardship Bank's home mortgage lending activities. 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. 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 for the period in question 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.⁶

With regard to Columbia Bank's CRA performance in its AAs, the OCC concluded in the bank's most recent CRA PE that the bank's distribution of home mortgage loans by income level of the geography and borrower was adequate. The CRA PE further characterized Columbia Bank's lending as exhibiting an adequate record of serving the credit needs of the most economically disadvantaged areas of its AAs and low-income individuals. Regarding Atlantic Stewardship Bank, the FDIC concluded in the bank's most recent CRA PE that the

⁵ Neither the BMA nor the CRA require applicants to submit a CRA plan as part of the application. See generally 12 USC 1828 and 12 USC 2901 *et seq.*

⁶ This applies to the HMDA data collected during the timeframe mentioned in the public comment. HMDA data collected beginning in 2018 includes 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.

bank's lending levels reflected good responsiveness to AA credit needs and the geographic distribution of loans reflected reasonable dispersion throughout the AA, with reasonable penetration amongst individuals of different income levels. The FDIC's CRA PE further characterized Atlantic Stewardship Bank's lending as exhibiting a reasonable record of serving the credit needs of low-income individuals and areas.

Branching

As of the dates of the banks' most recent CRA PEs, Columbia Bank had one branch in an LMI census tract and Atlantic Stewardship Bank had no branches in LMI census tracts. However, since the most recent CRA PE, Columbia Bank has opened a full service branch in a low-income and majority-minority census tract. Also, since 2005, Columbia Bank has maintained a limited service branch in a local vocational school. Although the school (and, therefore, the branch) is located in an upper-income census tract, the school itself has a largely LMI student body. Columbia Bank also uses the vocational school branch as a job training center and a feeder program for students interested in a career in banking. Furthermore, Columbia Bank maintains several branches that are located directly adjacent to moderate-income geographies. Columbia Bank's branches service 4,337 deposit accounts for customers with addresses in adjacent LMI geographies.

V. Summary of Consideration of Public Comment

The OCC has considered all of the facts of record, including the banks' CRA records of performance, confidential supervisory information, information provided by Columbia Bank and Atlantic Stewardship Bank, and the public comment on the proposal. Based upon this review, the OCC finds the facts to be consistent with approval.

VI. Consummation Requirements

Please note that the Northeastern District Licensing Office must be advised in writing in advance of the desired effective date for the Merger, so it may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's injunction period and any other required regulatory approval.

The OCC will issue a letter certifying consummation of the transaction when we receive:

- A Secretary's Certificate from Columbia Bank, certifying that the shareholder approvals have been obtained.
- Documentation that all other required regulatory approvals, non-objections, and or waivers have been obtained.
- Documentation that all other conditions that the OCC imposed have been met.

If the Merger is not consummated within six months from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of time period.

This approval 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 approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend, or rescind this approval, 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.

All correspondence regarding this application should reference the OCC control number. If you have any questions, please contact Licensing Analyst James Hill at (212) 344-3430 or by email at James.hill@occ.treas.gov.

Sincerely,

signed

Karen Marcotte
Acting Deputy Comptroller for Licensing