



October 11, 2019

**CRA Decision #200
November 2019**

Victoria Bova, Esq.
Vice President and Senior Counsel
People's United Bank, National Association
850 Main Street
Bridgeport, CT 06604

Re: Application to merge United Bank, Hartford, Connecticut with and into People's United Bank, National Association, Bridgeport, Connecticut (Application)
OCC Control No.: 2019-NE-Combination-309974 Charter No: 25103

Dear Ms. Bova:

The Office of the Comptroller of the Currency (OCC) hereby approves the merger of United Bank, Hartford, Connecticut (United) with and into People's United Bank, National Association, Bridgeport, Connecticut (PUB or Bank). PUB is authorized to retain its main office as the main office of the resulting bank and to retain and operate as branches its existing branches and the branches and main office of United. The OCC also approves PUB's retention of subsidiaries of United, as further discussed below. 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.

I. Background and the Transaction

PUB is a \$47.88 billion national bank headquartered in Bridgeport, Connecticut and operates 416 branches in Connecticut, New York, Massachusetts, Vermont, New Hampshire, and Maine. PUB is a wholly-owned subsidiary of People's United Financial, Inc., a Delaware corporation and a bank holding company that has elected to be a financial holding company.

United is a Connecticut chartered stock savings bank headquartered in Hartford, Connecticut and operates 58 branches in Connecticut, Massachusetts, and Rhode Island. United is a wholly-owned subsidiary of United Financial Bancorp, Inc., a Connecticut corporation and a bank holding company.

On August 30, 2019, People's United Financial, Inc., received confirmation from the Board of Governors of the Federal Reserve System that an application and approval is not required under Section 3 of Bank Holding Company Act in connection with the merger of United Financial Bancorp, Inc., with and into People's United Financial, Inc., pursuant to an Agreement and Plan of Merger dated July 15, 2019 (Merger Agreement), by and between People's United Financial, Inc., and United Financial Bancorp, Inc. Pursuant to the Merger Agreement, United Financial,

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Inc., will merge with and into People's United Financial, Inc. Immediately following the consummation of the bank holding company merger, United will merge with and into PUB, with PUB continuing as the surviving institution.

The OCC received two public comments during the public comment period. 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 *Summary of Public Comment and Analysis* section below.

II. Legal Authority

The OCC reviewed the proposed merger transaction under the criteria of the Bank Merger Act, 12 USC 1828(c); The National Bank Consolidation and Merger Act, 12 USC 215a; and applicable OCC regulations and policies. Among other matters, we found that the proposed transaction would not have significant anticompetitive effects. We also considered 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. Furthermore, OCC reviewed records of compliance with the CRA, 12 USC 2903(a)(2). We considered these factors and found them consistent with approval.

The resulting bank is authorized to retain and operate all branches of United. The resulting bank will retain ten operating subsidiaries of United.¹ The activities of the subsidiaries are permissible for national banks under 12 CFR 5.34 and consistent with published OCC guidance.

III. Community Reinvestment Act and Convenience and Needs

In evaluating this proposed transaction, the OCC has carefully considered: (i) People's United Bank's (PUB) and United Bank's most recent Community Reinvestment Act (CRA) performance evaluations (PE); (ii) information available to the OCC because of its supervisory activities; (iii) written public comments; and (iv) information PUB provided in response to the public comment.

A. Community Reinvestment Act

The CRA requires the OCC to consider 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 regulations implementing

¹ The Application notes one dormant subsidiary ResXMortgage, Inc., that the applicant represents will be dissolved prior to the consummation of the merger transaction.

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 concluded that the banks' records of performance under the CRA are consistent with approval of this application.

1. PUB's CRA Performance

PUB's most recent CRA PE, prepared by the OCC, is dated November 7, 2016. The bank's overall rating was "satisfactory."² 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; (vi) the bank's good levels of qualified investment activities and responsiveness to assessment area (AA) needs; (vii) the accessibility of the bank's branches throughout its AAs; and (viii) the bank's excellent level of CD services.

2. United Bank's CRA Performance

United Bank's most recent CRA PE, prepared by the Federal Deposit Insurance Corporation (FDIC), is dated October 30, 2018.³ The bank's overall rating was "Satisfactory." The major factors that supported this rating included: (i) the bank's lending levels reflected adequate responsiveness to credit needs of AAs; (ii) an adequate percentage of loans were made in the bank's AAs; (iii) the geographic distribution of loans reflected adequate penetration throughout the bank's AAs; (iv) the bank's distribution of lending reflected adequate penetration among retail customers of different income levels and businesses of different sizes; (v) the bank exhibited an adequate record of serving the credit needs of the most economically disadvantaged areas of its AAs, low-income individuals, and very small businesses; (vi) the bank made a

² The OCC evaluated PUB 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>. PUB received an overall "low satisfactory" rating on the lending test, and "high satisfactory" ratings for both the investment and service tests.

³ The FDIC evaluated United Bank for CRA purposes as a large institution. FDIC examiners reviewed HMDA reportable loans and small business loans for the period January 1, 2015, through December 31, 2017. *See* CRA PE (October 30, 2018). Examiners also reviewed CD loans, investments, and services from December 2, 2014, through October 30, 2018. *Id.* A copy of the CRA PE is available at https://www5.fdic.gov/CRAPES/2018/18203_181030.PDF. United Bank received "Low Satisfactory" ratings on the lending, investment, and service tests.

relatively high level of CD loans; (vii) the bank used innovative and flexible lending practices to serve AA credit needs; (viii) the bank had an adequate level of qualified CD investments and grants; (ix) the bank exhibited adequate responsiveness to credit and community economic development needs; (x) the bank occasionally used innovative or complex investments to support CD initiatives; (xi) the bank's delivery systems were accessible to all portions of AAs; (xii) the bank's opening and closing of branches did not adversely affect the accessibility of LMI geographies and borrowers; (xiii) the bank exhibited adequate responsiveness to credit and CD needs; and (xiv) the bank occasionally used innovative or complex investments to support CD initiatives.

B. Convenience and Needs

Under the BMA, the OCC considers the convenience and needs of the communities to be served by the resulting bank.⁴ 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.

IV. Summary of Public Comment and Analysis

The OCC received and considered one timely comment letter concerning the proposed transaction. The commenter's letter discussed PUB's CRA performance and highlighted some observations, concerns, and suggestions for the bank's continued improvement. Specifically, the commenter requested that the OCC await the conclusion of PUB's next CRA examination before approving the transaction. The commenter also requested that the OCC condition approval of the transaction upon the bank's completion of a community benefits plan.⁵

In support of its requests, the commenter raised a series of concerns, some of which the OCC considered in other, recent merger applications involving PUB.⁶ Specifically, with a particular focus on PUB's activities in the New York-Jersey City-White Plains (NY-NJ) Metropolitan Division (MD), the commenter expressed concern that PUB received a "needs to improve" rating

⁴ See 12 USC 1828(c)(5); 12 CFR 5.33(e)(1)(ii)(C).

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

⁶ See Office of the Comptroller of the Currency, CRA Decision Letter 192-2018, available at: <https://www.occ.gov/topics/charters-and-licensing/interpretations-and-actions/2018/crad192.pdf>; Office of the Comptroller of the Currency, CRA Decision Letter 179-2017, available at: <https://www.occ.gov/topics/charters-and-licensing/interpretations-and-actions/2017/crad179.pdf>.

for its New York assessment area in its most recent CRA PE. Citing 2014 HMDA data, the commenter also expressed concern regarding PUB's home purchase, refinance, and home improvement lending in the NY-NJ MD. However, the commenter, again citing HMDA data, noted that PUB's home purchase lending levels improved from 2015 to 2018. Still, the commenter expressed concerns about the level of home purchase lending to LMI, Black, and Latino borrowers in 2014 in the NY-NJ MD and requested that PUB improve its lending to these individuals and geographies.

In addition to observations based upon PUB's HMDA data, the commenter expressed concerns regarding some of the bank's products and services. Specifically, the commenter requested that PUB modify its products to eliminate overdrafts,⁷ to enable customers to open accounts without requiring a social security number as identification,⁸ and to ensure that PUB does not close more branches in the NY-NJ MD.⁹ The commenter also requested that PUB increase its small business lending levels in the NY-NJ MD. Finally, the commenter expressed concern regarding PUB's lending activities in the multifamily market, citing recent and ongoing state and local investigations involving certain New York City landlords.

With respect to PUB's HMDA-reportable lending to Black and Latino borrowers, the OCC notes that HMDA data alone are not adequate to provide a basis for concluding that an institution is engaged in lending discrimination, nor do they reflect the full range of an institution's lending activities and efforts. However, 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 increased fair lending risk. PUB 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.¹⁰

⁷ The commenter expressed concern that PUB's overdraft fee of \$37 is higher than most banks. The Consumer Financial Protection Bureau (CFPB) reported in 2017 that the average overdraft fee was \$34. *See* CONSUMER FIN. PROT. BUREAU, *A Closer Look: Overdraft and the Impact of Opting-In*, (Jan. 19, 2017) available at: https://files.consumerfinance.gov/f/documents/201701_cfpb_Overdraft-and-Impact-of-Opting-In.pdf. Additionally, while noting with approval that PUB offers a checking account that does not have a monthly fee, the commenter stated that customers can still be charged overdraft fees. The commenter stated that it would prefer that PUB offer an account with no overdraft transactions as a best practice. The OCC notes that the CRA regulations do not require banks to provide specific products or services.

⁸ 31 CFR 1010.220 establishes minimum standards for implementing a customer identification program (CIP). A bank has latitude to design and implement a CIP that is tailored to its particular business practices. *See* 68 Fed. Reg. 25090, 25098 (May 9, 2003).

⁹ PUB stated that some overlapping branches will be consolidated and that it is still evaluating potential closings. PUB is subject to the requirements contained in section 42 of the Federal Deposit Insurance Act (12 USC 1831r-1) to submit advance notice of any proposed branch closing to the OCC and its customers. *See* Office of the Comptroller of the Currency, *Comptroller's Licensing Manual: Branch Closing* (June 2017).

¹⁰ 42 USC 3601 *et seq.*; 24 CFR Part 100. The CFPB has exclusive supervisory and primary enforcement authority with respect to PUB's compliance with the Equal Credit Opportunity Act. 15 USC 1691 *et seq.*; 12 USC 5515.

PUB represented that its overall percentage of home purchase lending to LMI geographies in 2017 exceeded the percentage of peer financial institutions' lending in these geographies in the NY-NJ MD. With respect to African-American and Hispanic borrowers, PUB further represented that its percentage of home purchase lending exceeded, and its refinancing lending was consistent with, lending levels of other financial institutions. PUB explained that it faces increasing competition from non-bank mortgage lenders, as well as large banking institutions and other regional competitors with denser branching networks in the New York market. PUB also represented that it is firmly committed to compliance with fair lending laws and regulations and maintains a comprehensive fair lending program that includes statistical analyses, comparative file reviews, risk assessments, and annual trainings.

A review of the bank's HMDA data from 2015-2018 confirms an increase in volume across New York, particularly when comparing PUB's lending levels from 2013-2015 to 2016-2018. PUB represented that its increase in lending levels is due, in part, to its 2017 acquisition of Suffolk Bank, which expanded PUB's branching in the NY-NJ MD and bolstered its home lending resources.

With respect to small business lending, PUB represented that it has made approximately \$1.4 billion in small business loans since its last CRA examination, \$360 million of which went to small businesses in LMI geographies. Further, PUB represented that, in 2018 alone, more than 50 percent of its small business lending went to businesses with less than \$1 million in annual revenues. PUB represented that it will continue to rely upon its increased branching network and dedicated community lending staff to educate the public on available products and services and identify and serve lending opportunities in LMI geographies.

In response to the commenter's concerns regarding lending in the multifamily market in New York City, PUB represented that its multifamily lending decisions are based upon sound underwriting criteria and customer due diligence. PUB stated that landlord-tenant disputes are committed to other regulators and law enforcement officials. The OCC will continue to monitor these matters as well as any other significant developments affecting the lending activities of the merged entities as part of its ongoing supervision.

V. Summary of Consideration of Public Comments

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

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VI. Consummation Requirements

As a reminder, you should advise the Northeastern District Office in writing 10 days in advance of the desired effective date for the merger, so we may issue the necessary certification letter. The effective date must follow the applicable Department of Justice's 15-day injunction period and any other required regulatory approval. In addition, you should submit definitive copies of the proxy materials or information statement to the Northeastern District Office at the same time they are distributed to the shareholders.

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

- 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 the time.

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.

Please include the OCC control number on any correspondence related to this filing. If you have questions, contact Senior Licensing Analyst, Sandya Reddy at (212) 790-4049 or email Sandya.Reddy@occ.treas.gov.

Sincerely,

Signed

Stephen Lybarger
Deputy Comptroller for Licensing