

Massachusetts Division of Banks

*2015
Annual
Report*



Division of Banks

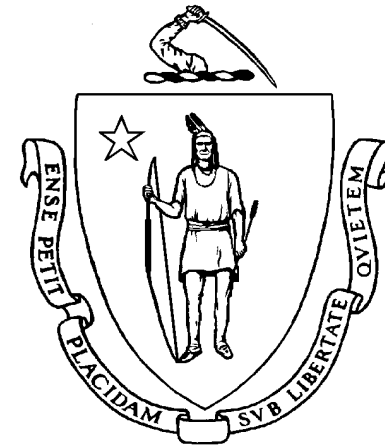
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Annual Report

For the year ending December 31, 2015



Governor

Charles D. Baker

**Office of Consumer Affairs &
Business Regulation Undersecretary**

John C. Chapman

Commissioner of Banks

David J. Cotney

About the Division



Mission

The mission of the Division of Banks (Division) is to ensure a sound, competitive, and accessible financial services environment throughout the Commonwealth.

Vision

The Division's vision is to have a financial services environment in which the public has confidence in its financial institutions, consumers have the information they need to make wise financial choices, and financial institutions can compete on a level playing field.

At a Glance

The Divisions' 160 managers, examiners, and support staff are responsible for the supervision of 191 state-chartered banks and credit unions holding combined assets of approximately \$383 billion, the supervision of three excess deposit insurers, and the

licensing and supervision of 6,836 individual mortgage loan originators and 3,900 non-bank financial entities, including mortgage brokers and lenders, finance companies, check cashers, money transmitters, and debt collectors. Accordingly, the Division plays a key role in maintaining depositor confidence in the state's banking system, as well as fostering a positive impact on the Commonwealth's economy.

A Brief History

The Division traces its origins to February 7, 1784 with the chartering of The Bank of Massachusetts, the forerunner of the former First National Bank of Boston, through Chapter 25 of the Acts of 1783. This Charter, signed by Governor John Hancock and Senate President Samuel Adams, includes one of the first known provisions to require bank examinations. Records dating back to 1839 reveal the existence of 118 Massachusetts banks with total combined assets of \$53 million.

Massachusetts was on the forefront of the banking industry as well as banking regulation. The Provident Institution for Savings in the Town of Boston was incorporated as the nation's first mutual bank in 1816. On March 27, 1906, Chapter 204 of the Acts of 1906 was signed and established the current structure of the Division.

A Letter From the Commissioner



I am pleased to present the 2015 Annual Report of the Massachusetts Division of Banks. The Division continues to be a national leader in strengthening consumer protection in the financial services industry, while also maintaining a secure and sound state-chartered banking and financial services system.

In 2015, the Division continued efforts to provide foreclosure prevention assistance to Massachusetts consumers. For the second year in a row, the Division distributed \$1.3 million in grants to foreclosure education centers and first-time home buyer counseling services across Massachusetts. I am proud to report that we have distributed a cumulative total of over \$8 million to such programs since 2008.

The Division continues to participate in public education events and community development efforts in various communities across the Commonwealth. I, along with several of my colleagues, spoke at a number of events with bank and credit union industry professionals on topics including cybersecurity and regulatory burden.

In May 2015, I was pleased to participate at an outreach event for the Economic Growth and Regulatory Paperwork Reduction Act. To this end, the Division continues to evaluate the impact of regulation on the financial industry and where possible reduce any unnecessary burden. In fact, as part of Governor Baker's Executive Order 562 to all secretariats and agencies in the

Executive Department, the Division conducted a comprehensive review of all of its regulations.

The Division has also expanded oversight of the financial industry's information technology environment to provide consumers with enhanced cybersecurity protections. In July, the Division collaborated with the Conference of State Bank Supervisors to host the Executive Leadership of Cyber Security seminar for Massachusetts bankers. The event combined topical speakers with table top exercises designed to expose bank leadership to common cybersecurity situations and give them an overview of the current cybersecurity landscape. Additionally, the Division issued an industry letter to depository and non-depository institutions on Cyber Security Assessments and the Federal Financial Institutions Examination Council (FFIEC) Cybersecurity Assessment Tool to better assist institutions in identifying and mitigating cybersecurity risk.

Lastly, I am happy to report that in October 2015 the Massachusetts Attorney General's Office and the Division reached a \$2.4 million settlement with small installment loan lenders, their affiliated companies, and owners, following allegations these businesses made illegal, high-interest loans over the internet. A dedicated Settlement Administrator was designated to assist the estimated 4,700 impacted Massachusetts consumers.

As always, the Division's successes this year were the result of the hard work and ingenuity of the entire Division staff. In 2016, we will continue to do our best to positively impact the lives of Massachusetts consumers.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Cotney'.

David J. Cotney
Commissioner of Banks

2015 Accomplishments

173

Formal and informal regulatory orders issued by the Division against non-depository institutions.

12,095

Licenses issued by the Division to mortgage companies, mortgage loan originators, money services businesses, debt collectors, loan servicers, and consumer finance companies.

300

Consumer complaints resolved by the Division, along with \$47,498 in reimbursements secured on behalf of consumers.

300

Foreclosure relief requests received by the Division, of which 140 were granted long-term stays.

431

Total number of examination reports mailed to depository (179) and non-depository institutions (252).

545

Total number of completed bank, credit union, licensee, and other approval requests (533) and number of legal opinions issued (12).

17

Number of total major corporate transactions consummated in 2015 involving banks and credit unions.

2015 Year in Review

First Quarter

January:

Amendments to 209 CMR 32.00: Truth in Lending became effective on January 2nd.

The Division issued letters to the credit union industry about the Legal List of Investments and gifts to directors.

The Division issued a letter to the credit union industry about the Legal List of Investments, and a letter about the

February:

The Division launched the America Saves Week Campaign by including outreach information for consumers, financial institutions, and nonprofits on the Division's website.

At the National Association of State Credit Union Supervisors (NASCUS) Director's College Event on February 24th, Commissioner Cotney spoke about Cyber Security and Regulatory Burden, while Senior Deputy Commissioner of Depository Institution Supervision Jay Bienvenu participated on a panel for an Examination and Agency Update.

On February 26th, Commissioner Cotney spoke at the Massachusetts Bankers Association's Bank Modernization Forum.

March:

On March 1st, the Division issued a Consumer Alert on Overdrawn Accounts. In addition, on March 22nd, the Division issued a Foreclosure Prevention Summary of Grant Activities.



Second Quarter

April:

As of April 1st, Safety and Soundness exams of credit unions included a "Sensitivity to Market Risk" evaluation and rating, consistent with federal banking guidelines.

On April 7th, the Division issued an industry letter on Bank Modernization.

The Commissioner was appointed to Treasurer Goldberg's Financial Literacy Task Force on April 16th.

2015 Year in Review

May:

The Division issued a Decision establishing certain maximum dishonored check fees at Massachusetts state-chartered institutions.

On May 4th, the Commissioner spoke at an outreach meeting for the Economic Growth and Regulatory Paperwork Reduction Act.

The Commissioner attended and the Division provided support for the Executive Office of Elder Affairs and Office of Consumer Affairs and Business Regulation Informational Meeting on Reverse Mortgage Counseling on May 15th.

The Commissioner was elected Chairman of the Conference of State Bank Supervisors (CSBS) Board of Directors to serve a one-year term on May 27th.

June:

The Commissioner spoke at the Credit Union National Association (CUNA) Governmental Affairs and Political Specialists Conference on June 1st.

On June 9th, the Division announced a partnership with the Treasurer's Office to create the Financial Education Innovation Fund to provide an opportunity for high schools to develop or expand a financial education fair ("Credit for Life Fairs").

The Division held a Public Hearing on 209 CMR 58.00: Credit Union Branching, which implements Chapter 466 of the Acts of 2014, *An Act Relative to Credit Union Branching*.

The Division's Legal Unit attended the Financial Services Committee's first Legislative Matters Hearing.

On June 25th, the Division hosted a Community Bankers Roundtable.

July:

The Division issued application information on Interstate Credit Union Branching.

The Division, in collaboration with CSBS, hosted the Executive Leadership of Cyber Security Seminar on July 14th to expose bank leadership to common cybersecurity situations.

On July 31st, the Division issued the fourth round of Regulatory Bulletin updates.

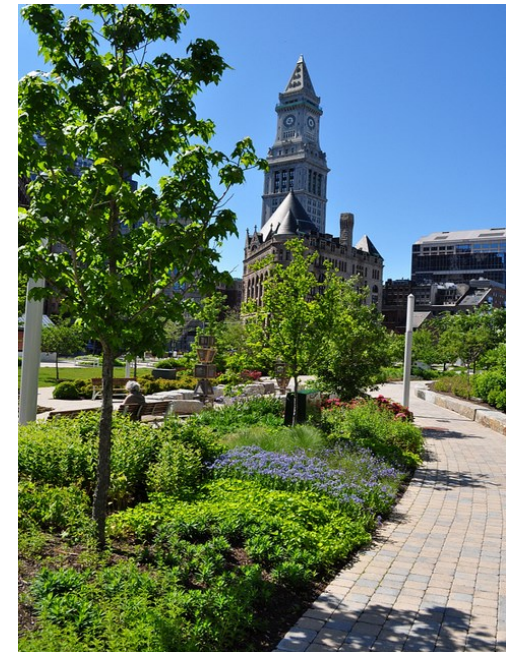
Third Quarter

August:

In conjunction with Executive Order 562: To Reduce Unnecessary Regulatory Burden, the Division hosted a Regulation Review Information Session.

209 CMR 58.00: Credit Union Branching became effective on August 14th.

The Division partnered with MassHousing to host two homebuyer fairs at the North Shore and Solomon Pond Malls on August 22nd.



2015 Year in Review

September:

The Division issued the revised Regulatory Bulletin 1.1-106: Examination Rating Appeal Process.

The Division filed final amendments to 209 CMR 57.00: Flood Insurance effective September 11th.

The Division issued Reverse Mortgages: In Person Counseling Guidance on September 25th.

The Division issued an Industry Letter for Depository Institutions on Cybersecurity Assessments and the FFIEC Cybersecurity Assessment Tool on September 30th.

Fourth Quarter

October:

The Division and the Attorney General's Office reached a settlement with Western Sky and CashCall on October 26th. The settlement provides \$2.4 million in consumer refunds and \$17 million in debt relief to Massachusetts consumers.

November

On November 3rd, the Division and the Attorney General joined the Federal Trade Commission (FTC), Consumer Financial Protection Bureau (CFPB), and numerous state attorneys general and regulatory agencies to announce 115 actions nationwide against illegal debt collection operations.

On November 5th, the Division issued an Industry Letter regarding the Regional Mortgage Review Boards and Regional Small Business Loan Review Boards.

In partnership with the Treasurer's Office, the Division announced additional funding for the spring 2016 Credit for Life Fairs.

The Division issued an update to Regulatory Bulletin 2.1-104: Branch Office Notice and Application Procedures on November 18th.

On November 30th, the Division issued an Industry Letter for Non-Depository Licensees on Cybersecurity Assessments and the FFIEC Cybersecurity Assessment Tool.

December:

The Division repealed 209 CMR 47.00: Parity with Federal Banks or Out-of-State Banks effective December 4th.

With Division support, the Executive Office of Elder Affairs and the Office of Consumer Affairs and Business Regulation released the Reverse Mortgage Counseling Report.

Throughout the year, Division staff participated in a total of 34 Outreach Events across the Commonwealth, including several Credit for Life fairs .

The Division issued its first quarterly report summarizing administrative enforcement actions, including administrative penalties and consumer reimbursements.

2016 Objectives

Effectively supervise and examine the Division's regulated entities through the application of a regulatory framework which ensures consumer protection while promoting a competitive industry

Increase communication efforts with a focus on strengthening employee engagement and fostering greater efficiency and productivity

Implement and enforce consumer protection laws and regulations while providing consumers the information they need to know their rights and make informed financial decisions

Ensure efficient staffing by having the right people in the right roles with the right skills to perform their responsibilities and work toward achieving the Division's vision

Ensure a sound, competitive, and accessible financial services environment, and maintain a robust supervision program to complete our core supervisory function through examination, licensing, consumer complaint review and response, and initiate regulatory actions where appropriate

Mortgage Supervision

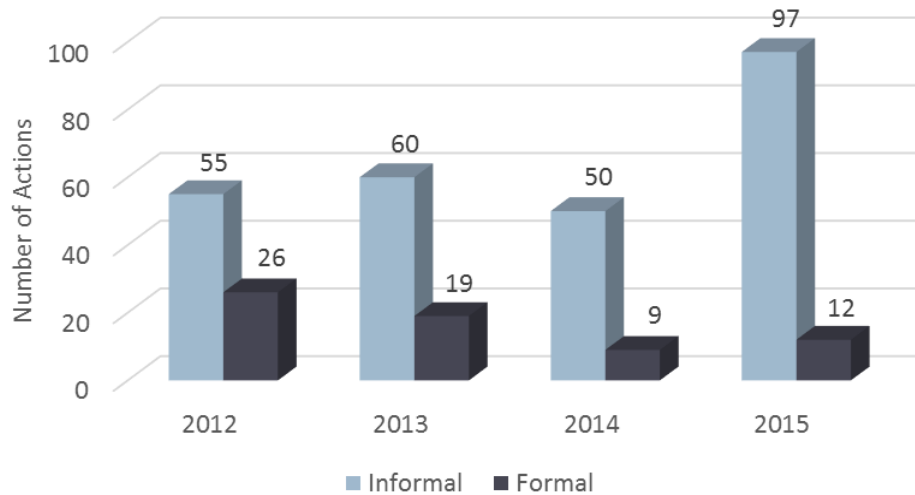
During 2015, the Division continued to expand its coordination, cooperation and participation with the CFPB, Multi-state Mortgage Committee, and the New England Regional Mortgage Committee through the sharing of information in the performance of concurrent examinations of non-depository mortgage entities. As a result of coordinated and independent examination efforts, the Division's mortgage unit continued to cite infractions related to a variety of areas. The chart below shows the regulatory actions taken between 2012–2015.

Additionally, in 2015, the Division issued an Industry Letter entitled *Cybersecurity Assessments & the FFIEC Cybersecurity Assessment Tool* that was distributed to all non-depository licensees on November 30, 2015.

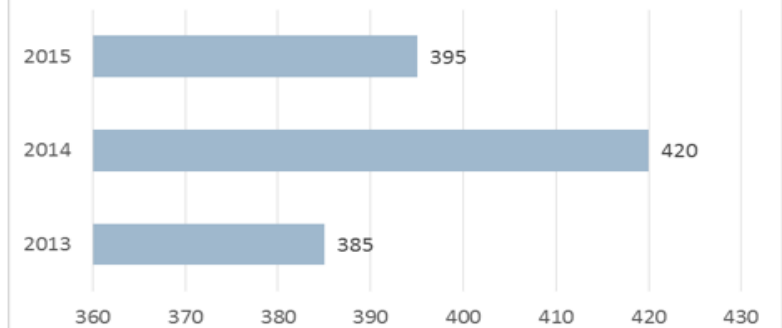
During 2015, the Division's Mortgage Licensing Unit continued to see a steady volume of individuals apply for mortgage loan originators (MLO) licenses. The unit received 2,162 MLO applications, which was a 328 decrease from 2014 submissions. Of the 2,162 applications, 1,888 (87.3%) were approved for a new license. As of December 31, 2015, there are 8,132 individuals licensed as MLOs in the Commonwealth, which is a slight decrease of 0.5% from the prior year.

The Division approved 24 new mortgage companies throughout the year, which resulted in a total of 497 mortgage brokers and lenders licensed to do business in the Commonwealth. As of December 31st, 294 mortgage brokers, 203 mortgage lenders, 102 companies holding both a mortgage broker and a mortgage lender license, and 78 mortgage servicers are licensed. This is an overall 6% decrease in mortgage companies (brokers, lenders and servicers) in 2015 as compared to the same analytics from 2014.

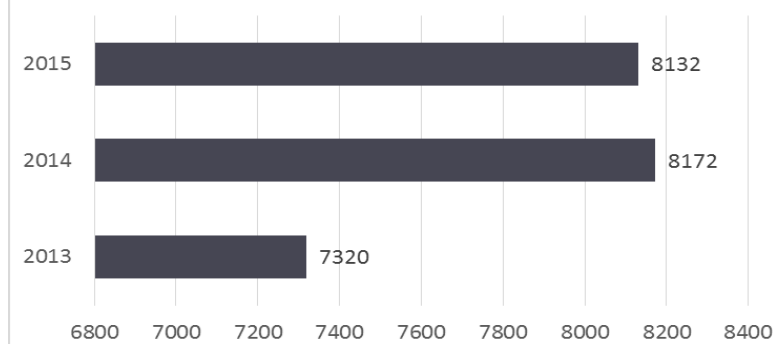
Regulatory Actions Taken by the Division Against Brokers and Lenders



Approved Mortgage Companies by Year End



Approved Mortgage Loan Originators

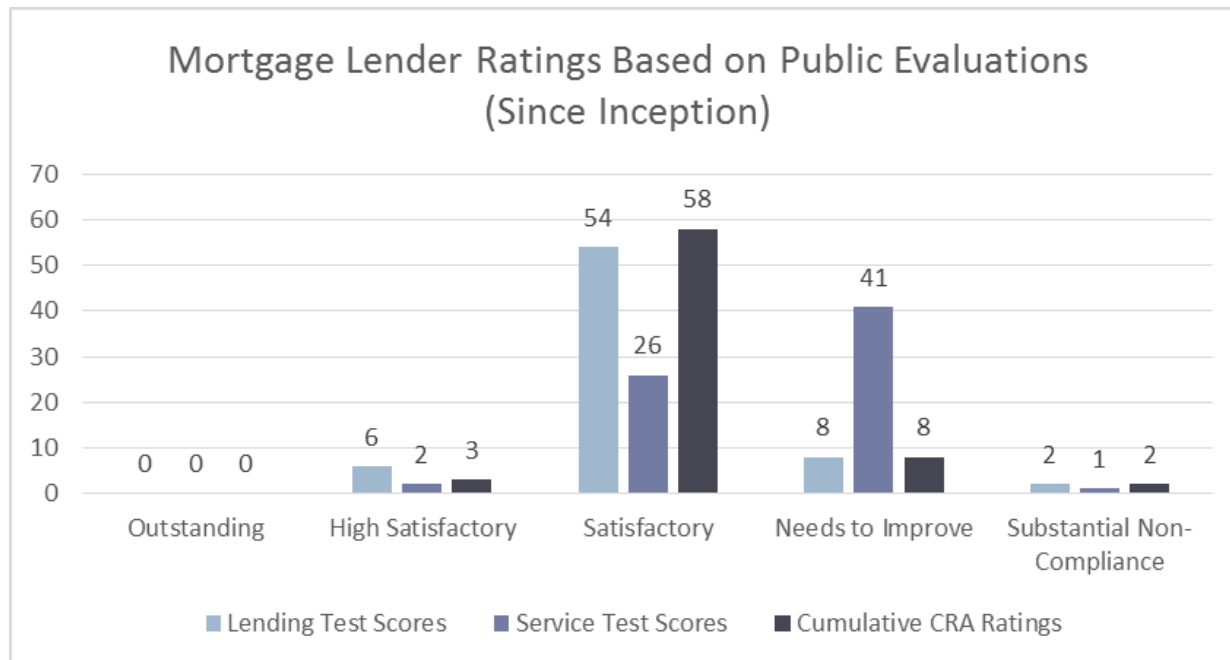


CRA for Mortgage Lenders

Provisions similar to the Massachusetts Community Reinvestment Act (CRA) were extended to certain mortgage lenders as part of Chapter 206 of the Acts of 2007; these provisions require an additional evaluation in the examination of mortgage lenders that have made fifty or more home mortgage loans in the previous year and are Home Mortgage Disclosure Act (HMDA) filers. This evaluation provides a publicly available report of the record of the mortgage lender's performance in meeting the mortgage credit needs of communities in the Commonwealth.

The number of licensed lenders eligible for a CRA examination totaled 75 as of December 2015, of which 2 became eligible for an examination for the first time based on 2014 HMDA data. At the same time, there were 17 mortgage lenders whose reduced lending volume no longer made them eligible for a Mortgage Lender Community Investment (MLCI) examination.

Through December 31, 2015, the Division has conducted a total of 90 examinations; 17 were issued during the 2015 calendar year. Additionally, 75 Public Evaluations are posted on the Division's website. In total, 15 consent orders have been issued for HMDA violations since 2009. The Division did not issue any public Consent Orders for HMDA violations during 2015.



* Not all examinations have resulted in ratings

Foreclosure Relief

Since the inception of the foreclosure counseling and education grant initiative in 2008, the Division has awarded over \$8 million to nonprofits with a focus on consumer counseling services. In 2015, the Division awarded \$1.3 million in grants to agencies offering foreclosure prevention counseling services, including loan modification assistance, first-time homeownership counseling, or counseling for non-traditional or high-cost loans such as subprime products. Collectively, grantees helped over 5,200 homeowners in the Commonwealth in calendar year 2015.



Consumer Outreach and Protection

In February 2015, the America Saves Campaign was launched with a letter from Commissioner Cotney to encourage state-chartered banks and credit unions to participate in and raise awareness about financial education and savings.

The Division further promoted America Saves Week by collaborating with various organizations and financial institutions. In celebration of America Saves Week, Division staff participated in a Lawrence Community Works Wallet Wise Class held at the Fidelity House. The class was a great success with 20 attendees.

In August, in conjunction with MassHousing and the Massachusetts Association of Realtors, the Division hosted two home buying fairs where financial education information and resources relating to the home buying process were distributed.

In total, outreach event participation continued throughout 2015 with 37 staff members attending 34 events around the Commonwealth. Many of these events were Credit for Life fairs at area high schools where Division staff helped educate students about financial literacy.

Consumer Finance/Money Services Business Activities

Industry Initiatives

The Division's CF/MSB Unit participated in several industry outreach initiatives including:

- ◇ Supporting CSBS guidance for financial institutions on private student loans with graduated repayment terms at origination. On January 29th, CSBS issued this guidance, which stresses that financial institutions should prudently underwrite these loans and provide disclosures that clearly communicate the timing and the amount of payments to facilitate a borrower's understanding of the loan terms and features.
- ◇ Participating in the FTC's Operation Collection Protection, a coordinated national effort to stop abusive debt collection efforts. This effort led to the November 3rd announcement of 115 actions nationwide against illegal debt collection operations.
- ◇ The Division's CF/MSB Unit conducted ten multi-state examinations in 2015. Five joint examinations were conducted with Money Transmitters Regulatory Association (MTRA) members, including one conducted concurrently with the CFPB. Five concurrent examinations were conducted jointly with North American Collection Agency Regulatory Association (NACARA) members, four of which were conducted concurrently with the CFPB.
- ◇ Over \$700,000 was reimbursed to Massachusetts consumers during 2015 as a result of examinations conducted on licensed finance companies and debt collectors.
- ◇ The Division issued regulatory actions and settled actions against debt collectors for collecting on illegal loans, charging illegal fees and commingling client funds with operating funds. The Division also issued regulatory actions and settled actions against finance companies for offering illegal payday loans in Massachusetts, failing to refund overpayments to borrowers, and failing to protect the private and confidential personal and financial information of customers.

Depository Institution Supervision

In 2015, the Division's Depository Institution Supervision Unit integrated a number of new supervisory initiatives.

Supervision

The Online Annual Report System (OARS) went live on January 5th for the 2014 annual report filing period.

The Risk Management unit implemented the "Sensitivity" component to the credit union CAMEL rating evaluation system, effective April 1st .

The Risk Management Unit completed testing and training for the FDIC's Examination Tool Suite (ETS) in preparation for exams beginning in January 2016.

2015 Major Corporate Transactions



Summary

There were 17 major corporate transactions consummated in 2015.

- ◆ 15 transactions involved mergers:
 - ◇ 11 of the mergers resulted in the reduction of three savings banks, two co-operative banks, one trust company and five credit unions.
 - ◇ Two of the mergers involved federally-chartered savings banks merging with and into state-chartered banks.
 - ◇ Two of the mergers involved federally-chartered national banks merging with and into state-chartered banks.
- ◆ One of the corporate transactions included a mutual holding company issuing minority shares of stock of its mid-tier stock holding company.
- ◆ The remaining corporate transaction included the conversion of a state-chartered credit union to a federally-chartered credit union.

The Board of Bank Incorporation (Board) held two hearings in 2015. One of the matters requiring Board approval related to the merger of Hampden Bank with and into Berkshire Bank. The other Board matter remained pending as of year-end. Chapter 482 of the Acts of 2014: An Act Modernizing the Banking Laws and Enhancing the Competitiveness of State-Chartered Banks (Act) became effective on April 7, 2015. This Act, among many other substantive changes, amended several statutory authorities governing corporate transactions for holding companies and their subsidiary institutions by eliminating the Board's involvement in certain multi-step transactions where the substantive step is being decided by the Commissioner of Banks.

Bank Transactions



In 2015 there were ten bank merger transactions, six of which reduced the number of state-chartered banks. At year end, there were 56 savings banks, 48 co-operative banks, 16 trust companies, and 1 limited purpose trust company.

Mergers

- ◇ Granite Savings Bank, Rockport merged with and into Cape Ann Savings Bank, Gloucester on January 17, 2015.
- ◇ Chelsea Bank, Chelsea merged with and into East Cambridge Savings Bank, Cambridge on February 12, 2015
- ◇ Peoples Federal Savings Bank, Brighton merged with and into Rockland Trust Company, Rockland on February 20, 2015.
- ◇ Northampton Co-operative Bank, Northampton merged with and into Greenfield Co-operative Bank, Greenfield on April 1, 2015.
- ◇ Hampden Bank, Springfield merged with and into Berkshire Bank, Pittsfield on April 17, 2015.
- ◇ Citizens National Bank, Putnam, Connecticut merged with and into Easthampton Savings Bank, Easthampton on June 30, 2015.
- ◇ Lenox National Bank, Lenox merged with and into Adams Community Bank, Adams on October 16, 2015.
- ◇ Merrimac Savings Bank, Merrimac merged with and into North Shore Bank, a Co-operative Bank, Peabody on November 1, 2015.
- ◇ NUVO Bank & Trust Company, Springfield merged with and into Merchants Bank, South Burlington, Vermont on December 4, 2015.
- ◇ Scituate Federal Savings Bank, Scituate merged with and into Coastal Heritage Bank, Weymouth on December 4, 2015.

Mutual Holding Companies that Issued Minority Shares of Stock of its Mid-Tier Holding Company

Provident Bancorp, the mutual holding company for Provident Bank, issued minority shares of stock of its mid-tier stock holding company, Provident Bancorp, Inc. on July 21, 2015.

Name Changes

In coordination with its merger with Scituate Federal Savings Bank, S-Bank changed its name to Coastal Heritage Bank.

Credit Union Transactions



The number of Massachusetts-chartered credit unions was reduced from 76 to 70 during the year. Four credit unions merged with and into other Massachusetts-chartered credit unions and one credit union merged with and into a federally-chartered credit union. One Massachusetts-chartered credit union converted to a federally-chartered credit union.

Mergers

- ◇ Salem Italian-American Credit Union, Salem merged with and into Luso-American Credit Union, Peabody on February 28, 2015.
 - ◇ Industrial Credit Union, Boston merged with and into Webster First Federal Credit Union, Webster on May 31, 2015.
 - ◇ Seaport Credit Union, Salem merged with and into St. Jean's Credit Union, Lynn on July 1, 2015.
 - ◇ First Choice Credit Union, Methuen merged with and into Align Credit Union, Lowell on September 1, 2015.
- ◇ Malden City Employees Credit Union, Malden merged with and into Metro Credit Union, Chelsea on October 31, 2015.

Conversion to Federal Charter

- ◇ Worcester Police Department Credit Union converted to a federal credit union charter as of December 10, 2015.

Name Changes

- ◇ Grafton Suburban Credit Union changed its name to Homefield Credit Union.
 - ◇ STCU Credit Union changed its name to Arrha Credit Union.

Chapter 141 of the Acts of 2015: *An Act Clearing Titles to Foreclosed Properties*

Chapter 141 of the Acts of 2015, An Act Clearing Titles to Foreclosed Properties, (Chapter 141 or the Act) attempts to lift the cloud over previously foreclosed properties that have been subsequently purchased by third-party purchasers (excluding the foreclosing entity, its affiliates or agents, and any investor such as Fannie Mae or Freddie Mac). Chapter 141 would remove that cloud if the former borrower does not challenge title within three years of recording the affidavit of sale required under the foreclosure laws. Chapter 141 applies to affidavits of sale recorded before, on, or after the effective date of the new law, which was December 31, 2015. In addition, Chapter 141 requires the Attorney General, in collaboration with the Commissioner of Banks, to work with stakeholders participating in the foreclosure industry and stakeholders participating in foreclosure prevention, reduction, or education programs to provide notification of the effects of this Act to homeowners facing foreclosure and those foreclosed upon. The Act provides that notification shall include posting notice of the effects of this Act on the websites of the Attorney General and the Division of Banks.

The Division also began the process to comprehensively review all of its regulations in accordance with Executive Order No. 562, *To Reduce Unnecessary Regulatory Burden*, which was issued on March 31, 2015. The Division held an information session in order to receive comments from the public on August 13, 2015, and received written comments from both industry representatives and public interest organizations during the comment period. As 2015 came to an end, the Division's regulatory review process remained ongoing.

Regulations and Legislation

209 CMR 57.00: Flood Insurance

209 CMR 57.00 implements the requirements of G.L. c. 183, section 69 when a creditor requires a purchaser or owner of residential property to purchase or pay for flood insurance coverage on residential property located in a designated special flood hazard area. Chapter 177 of the Acts of 2014, An Act Further Regulating Flood Insurance, (Chapter 177) became effective on November 20, 2014. Chapter 177 amended G.L. c. 183 by adding section 69, which prohibits creditors and creditors' representatives from requiring flood insurance that is greater than the balance of a residential mortgage loan, includes coverage for contents, or that includes a deductible of less than \$5,000. The provisions of section 69 apply to residential first mortgage loans, subordinate liens, home equity lines of credit, and home equity loans. Section 69 also requires that creditors, creditors' representatives, and insurance producers provide borrowers with a notice about flood insurance coverage before it is purchased. Chapter 177 required the Commissioner of Banks to promulgate regulations to implement section 69. 209 CMR 57.00 took effect on September 11, 2015.

209 CMR 58.00: Credit Union Branching

The purpose of 209 CMR 58.00 is to establish requirements for application and notice authorities for Massachusetts-chartered credit unions to establish a branch office within the Commonwealth up to 100 miles from the credit union's main office, or in Connecticut, Maine, New Hampshire, New York, Rhode Island, or Vermont. In addition, 209 CMR 58.00 also establishes application requirements for foreign credit unions and notice requirements for out-of-state federal credit unions, with a principal place of business located in such other states, as defined in 209 CMR 58.00, to establish a branch office in the Commonwealth. (Foreign credit unions are state-chartered credit unions which are chartered by one of the other New England states or New York.) Chapter 466 of the Acts of 2014, An Act Relative to Credit Union Branching, required the Commissioner of Banks to promulgate regulations relative to the administration and enforcement of G.L. c. 171, sections 8A to 8F. 209 CMR 58.00 took effect on August 14, 2015.

Regulations and Legislation

209 CMR 47.00: Parity with Federal or Out-of-State Banks

The purpose of 209 CMR 47.00 was to grant state-chartered banks certain expanded powers in parity with federally-chartered banks and with banks chartered by another state. Chapter 482 of the Acts of 2014, An Act Modernizing the Banking Laws and Enhancing the Competitiveness of State-Chartered Banks (Chapter 482), amended G.L. c. 167F, s. 2, clause 31, to strike the language that authorized and required the Commissioner of Banks to promulgate regulations relating to bank parity. As a result, there was no longer statutory authority for 209 CMR 47.00. Chapter 482 allows state-chartered banks to exercise any power or engage in any activity that is permitted for a federal bank or bank chartered by another state upon 30 days advance, written notice to the Commissioner. Chapter 482 became effective on April 7, 2015. 209 CMR 47.00 was repealed effective December 4, 2015.

209 CMR 32.00: Truth in Lending

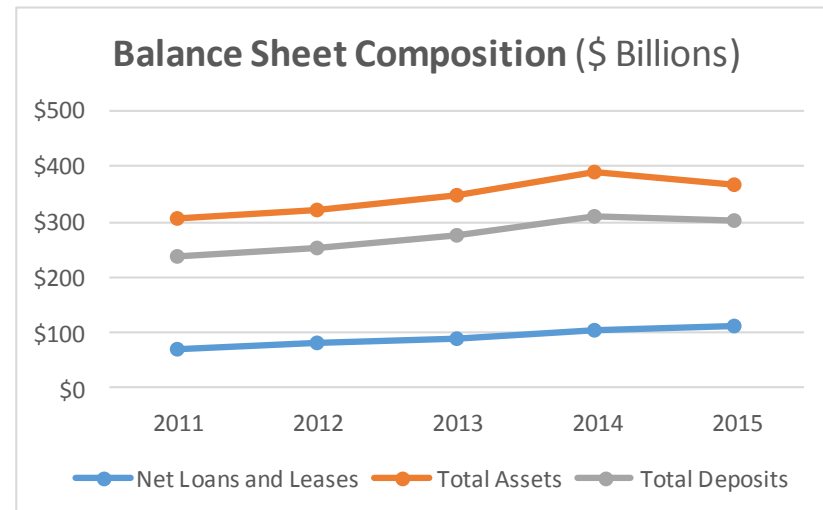
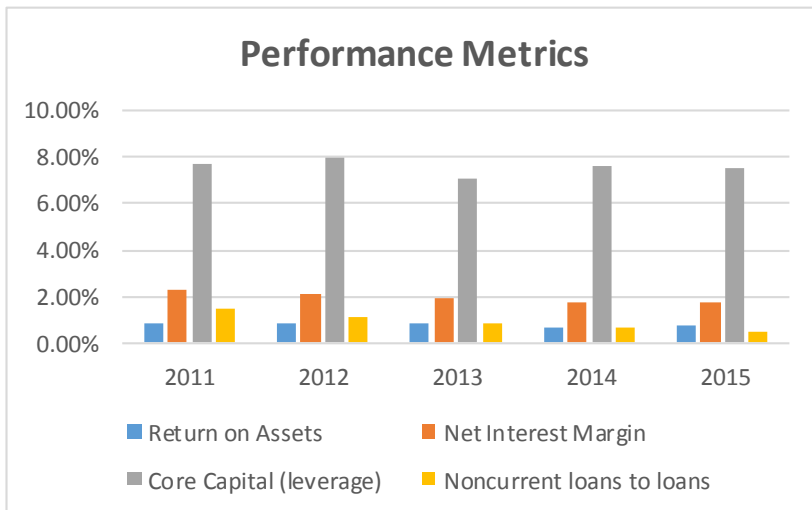
The Division amended 209 CMR 32.00: Disclosure of Consumer Costs and Terms, which promotes the informed use of consumer credit by requiring disclosures about its terms and cost. The regulation also gives consumers the right to cancel certain transactions that involve a lien on a consumer's principal dwelling, regulates certain credit card practices, and provides a means for fair and timely resolution of credit billing disputes. The regulation is applicable to state-chartered banks, credit unions, licensees and other creditors. The amendments streamlined the regulation for easier compliance by providing that compliance with comparable provisions of the federal Consumer Financial Protection Bureau's (CFPB) Regulation Z constitutes compliance with the cited provisions of 209 CMR 32.00. The purpose of the amendments is to amend the Massachusetts regulation in a way to incorporate future changes to the federal Truth in Lending regulations while preserving the Massachusetts differences deemed more advantageous to consumers. In addition, the title of the regulation was amended to "Truth in Lending" to correspond with the title of the federal regulation. The amendments became effective on January 2, 2015.

Banks Summary

Total assets for state-chartered trust companies, co-operative banks, and savings banks decreased in 2015 from year-end 2014 by approximately \$20 billion, or 5%, to \$368 billion. The aggregate reduction in total assets includes a near \$29 billion reduction by a single institution; the other combined 120 institutions reported an aggregate \$9 billion increase in total assets. Despite total asset reduction, net loans and leases increased by over \$9 billion for the year to nearly \$114 billion. Loan delinquency rates continue to decline as does the amount of other real estate owned, which decreased by 64.49% to \$43 million. Total equity rose 4% to \$34 billion.

Net income increased to \$2.79 billion for the twelve months ending December 31, 2015, from \$2.60 billion the previous year. The prolonged low interest rate environment continues to impact net interest income to total assets ratio, which declined from 1.74% to 1.71% for 2015. Overall asset quality continues to improve as the percentage of past due and non-accrual loan to total assets decreased.

Transaction activity has resulted in the reduction of the number of banks supervised from 127 at year-end 2014 to 121 as of year-end 2015. Overall, state-chartered banks in Massachusetts continue to improve performance, and their financial condition remains sound.



Banks – Balance Sheet

Years Ended December 31	2014 \$ in 000's	2015 \$ in 000's	% Change
Cash and Due from Depository Institutions	99,396,741	80,810,974	-18.70%
Interest-Bearing Balances	96,830,151	78,705,949	-18.72%
Securities	132,434,333	119,570,851	-9.71%
Federal Funds Sold & Reverse Repurchase Agreements	2,614,781	3,446,367	31.80%
Net Loans & Leases	104,130,020	113,760,447	9.25%
Loan Loss Allowance	911,180	956,741	5.00%
Trading Account Assets	8,244,389	4,762,435	-42.23%
Bank Premises and Fixed Assets	2,296,085	2,345,342	2.15%
Other Real Estate Owned	122,414	43,470	-64.49%
Goodwill and Other Intangibles	8,539,750	8,292,597	-2.89%
All Other Assets	30,276,586	35,404,211	16.94%
Total Assets	388,055,099	368,436,694	-5.06%
Interest-Bearing Deposits	222,712,551	215,804,590	-3.10%
Deposits Held in Domestic Offices	200,698,011	201,026,947	0.16%
Total Deposits	309,517,029	300,404,277	-2.94%
Federal Funds Purchased & Repurchase Agreements	10,227,881	5,276,145	-48.41%
Trading Liabilities	6,105,428	3,936,930	-35.52%
Other Borrowed Funds	12,286,820	11,246,026	-8.47%
Subordinated Debt	2,642,317	2,384,315	-9.76%
All Other Liabilities	14,485,064	11,015,812	-23.95%
Total Liabilities	355,264,539	334,263,505	-5.91%
Total Bank Equity Capital	32,551,223	33,874,432	4.07%
Perpetual Preferred Stock	16,360	16,360	0.00%
Common Stock	129,475	132,318	2.20%
Surplus	17,556,237	17,600,908	0.25%
Undivided Profits	14,849,151	16,161,939	8.84%
Noncontrolling Interests in Consolidated Subsidiaries	239,337	241,504	0.91%
Total Equity Capital	32,790,560	34,173,189	4.22%
Total Liabilities and Capital	388,055,099	368,436,694	-5.06%

Banks – Income Statement

Years Ended December 31	2014	2015	% Change
	\$ in 000's	\$ in 000's	
Total Interest Income	6,536,167	6,610,842	1.14%
Total Interest Expense	802,816	784,328	-2.30%
Net Interest Income	5,733,351	5,826,514	1.62%
Provision for Loan and Lease Losses	104,109	102,673	-1.38%
Fiduciary Activities	4,841,554	4,847,401	0.12%
Service Charges on Deposit Accounts	181,683	179,323	-1.30%
Trading Account Gains & Fees	615,423	723,670	17.59%
Additional Noninterest Income	2,379,492	2,636,754	10.81%
Total Noninterest Income	8,018,152	8,387,148	4.60%
Salaries and Employee Benefits	5,392,701	5,583,299	3.53%
Premises and Equipment Expense	1,633,644	1,699,494	4.03%
Additional Noninterest Expense	3,381,031	3,361,021	-0.59%
Total Noninterest Expense	10,407,376	10,643,814	2.27%
Pre-Tax Net Operating Income	3,240,018	3,467,175	7.01%
Securities Gains (Losses)	88,903	59,101	-33.52%
Applicable Income Taxes	724,783	737,615	1.77%
Income Before Extraordinary Items	2,604,138	2,788,661	7.09%
Net Extraordinary Gains	-2,245	631	-128.11%
Net income attributable to bank	2,599,273	2,785,784	7.18%
Net Income Attributable to Noncontrolling Interests	2,620	3,508	33.89%
Net Income Attributable to Bank and Noncontrolling Interests	2,601,893	2,789,292	7.20%
Net Charge-Offs	65,324	47,979	-26.55%
Cash Dividends	1,629,832	712,510	-56.28%
Net Sale, Conversion, Retirement of Capital Stock	128,917	13,915	-89.21%
Net Operating Income	2,536,467	2,745,888	8.26%

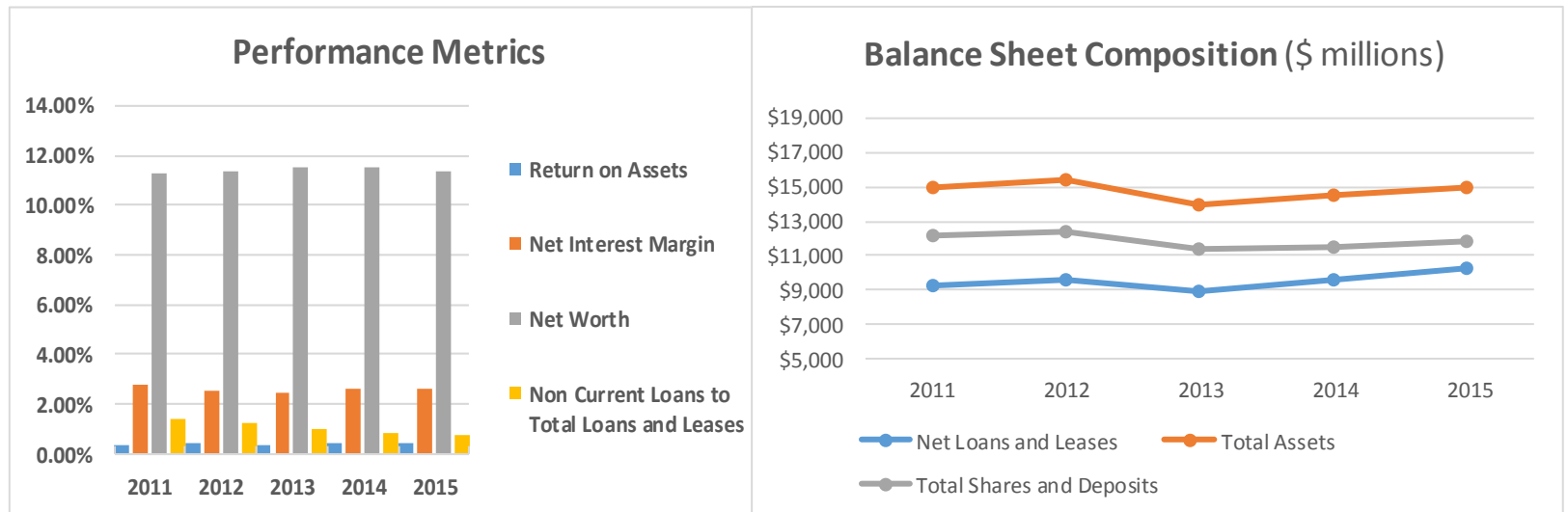
Credit Union Summary

In 2015, state-chartered credit unions experienced a slight increase in total assets, growing 3.24% or \$469 million. The overall financial condition of the industry appears strong, as both profitability and net worth continue to improve.

Net income from 2014 to 2015 improved by \$2 million while interest income grew by \$6.5 million. The net interest margin stands at 2.60%, compared to 2.63% at year-end 2014. Total non-interest income increased by \$7 million dollars in 2015, including increases of \$2.6 million in fee income and \$5.2 million in other operating income. Overhead expenses continued to increase through 2015.

Despite a slight increase of 0.02% increase in provision expense, total loan delinquency decreased from 0.85% to 0.73% for 2014 and 2015, respectively.

While some credit unions struggled generating new business or adequate profitability, most credit unions continue to diversify membership, product offerings, and are financially sound.



Credit Union – Balance Sheet

Years ended December 31	2014	2015	% Change
	<i>In 000's</i>	<i>In 000's</i>	
Assets			
Cash and Investments	4,374,150	4,075,985	-6.82%
Loans and Leases, Net of Unearned Income	9,625,828	10,379,575	7.83%
Allowance for Loan and Lease Losses	-61,900	-62,944	1.69%
Net Loans and Leases	9,563,928	10,316,631	7.87%
Land and Building	187,249	198,195	5.85%
Other Fixed Assets	67,811	62,690	-7.55%
Other Real Estate Owned	4,307	4,081	-5.25%
Other Assets	313,167	321,011	2.50%
Total Assets	14,510,647	14,978,594	3.22%
Total Shares and Deposits	11,520,243	11,857,204	2.92%
Total Borrowings	1,199,090	1,309,957	9.25%
Accrued Dividends and Interest Payable	398	412	3.32%
Accounts Payable and Other Liabilities	97,662	102,391	4.84%
Total Liabilities	1,297,151	1,412,760	8.91%
Regular Reserves	228,443	223,032	-2.37%
Appropriation for Non-Conforming Investments	350	3	-99.04%
Undivided Earnings	1,417,666	1,450,468	2.31%
Net Unrealized Gain/(Loss) on AFS	26,283	10,826	-58.81%
Other Reserves	20,511	24,253	18.24%
Total Equity Capital	1,693,253	1,708,630	0.91%
Total Liabilities & Equity Capital	14,510,647	14,978,594	3.22%

Credit Union – Income Statement

Years ended December 31	2014 \$ in 000's	2015 \$ in 000's	% Change
Total Interest Income	454,144	460,681	1.44%
Total Interest Expense	78,988	77,367	-2.05%
Net Interest Income	375,156	383,314	2.17%
Provision for Loan and Lease losses	15,373	18,509	20.40%
Fee income	66,822	69,430	3.90%
Other Operating Income	36,751	42,012	14.31%
Gain(Loss) on Investments	4,807	4,701	-2.21%
Gain(Loss) on Disposition of Fixed Assets	161	131	-18.58%
Gain from Bargain Purchase (Merger)	1,254	639	-49.02%
Other Non-Operating Income/(Expense)	423	491	15.93%
Total Non-Interest Income	110,340	117,403	6.40%
Employee Compensation and Benefits	209,803	214,915	2.44%
Travel and Conference Expense	4,566	4,515	-1.11%
Office Occupancy Expense	35,590	38,288	7.58%
Office Operation Expense	73,559	74,928	1.86%
Education and Promotional Expense	16,966	17,079	0.67%
Loan Servicing Expense	16,834	18,113	7.60%
Professional and Outside Services	42,656	42,113	-1.27%
Member Insurance	851	907	6.61%
Operating Fees	2,053	2,350	14.46%
Miscellaneous Operating Expenses	8,620	9,854	14.32%
Total Non-Interest Expense	411,498	423,064	2.81%
Net Income(Loss)	58,625	59,145	0.89%

2015 Division of Banks Staff

William Adams
Kevin Adamson
Akwasi Agyemang
John Allen
Tayana Antin
Beverley Ashby
Shawna Avey
Gary Backaler
George Balakier
James Barrett
Benedic Beaulieu
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Samuel Wangombe
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Zachary Wermer
Irene Weydt
Allison B. Whalen
Lily Wong
Kimberly Wood-Grazulis
Garrett Young
Megan Young

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Contact Us:

Division of Banks
1000 Washington Street
10th Floor
Boston, MA 02118-6400

Phone: 617.956.1500

Fax: 617.956.1599

