

# BANK NOTES

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## Mergers and Acquisitions

Pittsfield, MA-based **Berkshire Hills Bancorp Inc.** announced on October 12, 2010, that it has agreed to acquire Rome, NY-based **Rome Bancorp Inc.** The merger is expected to be completed in the first quarter of 2011. Upon completion, **Rome Savings Bank** will be merged into Berkshire Hills unit **Berkshire Bank**, which will then have 46 branches across Massachusetts, New York, and Vermont. (*SNL B&T Weekly 10/18/10, Press Release 10/12/10*)

Augusta, ME-based **Alliance of Maine Federal Credit Union** merged into Scarborough, ME-based **Trademark Federal Credit Union** effective October 2, 2010. The survivor has the Trademark charter and name, but is located at the former Alliance head office on 44 Edison Drive in Augusta, ME. (*Internal Sources, 10/08/10*)

## Branch Opening

Camden, ME-based **Camden National Corp.** unit **Camden National Bank** opened a full-service branch within the Hannaford Supermarket at the Long Bank Shopping Center in Kennebunk, Maine on September 30, 2010. This marked the opening of the bank's third branch in southern Maine. (*SNL B&T Weekly 10/04/10, Press Release 09/27/10*)

## Board Approves Fee Schedule for Federal Reserve Bank Priced Services

The Federal Reserve Board announced on November 1, 2010, the approval of fee schedules, effective January 3, 2011, for payment services the Federal Reserve Banks provide to depository institutions (priced services). The Board also approved maintaining the current earnings credit rate on clearing balances.

Overall, the price level for Federal Reserve priced services will decrease about 3 percent in 2011 from 2010. Because an increasing proportion of checks collected through the Reserve Banks will be presented electronically, the effective fees paid to collect checks using the Reserve Banks' Check 21 services are expected to decline, on average, 14 percent. The average fee paid by depository institutions to return a check electronically will decline 20 percent. Fees for the Reserve Banks' FedACH<sup>®</sup> service, Fedwire<sup>®</sup> Funds and National Settlement Services, and Fedwire<sup>®</sup> Securities Service will increase approximately 3 percent.

Fee schedules for all priced services are available on the Federal Reserve Banks' financial services website at [www.frb services.org](http://www.frb services.org). (*Board Press Release, 11/01/10*)

## Annual Adjustments to Regulation D for Reserve Calculations and Deposit Reporting

On October 26, 2010, the Federal Reserve Board announced the annual indexing of the reserve requirement exemption amount and of the low reserve tranche for 2011. These amounts are used in the calculation of reserve requirements of depository institutions. The Board also announced the annual indexing of the nonexempt deposit cutoff level and the reduced reporting limit that will be used to determine deposit reporting panels effective 2011.

All depository institutions must hold a percentage of certain types of deposits as reserves in the form of vault cash, as a deposit in a Federal Reserve Bank, or as a deposit in a pass-through account at a correspondent institution. Reserve requirements currently are assessed on the depository institution's net transaction accounts (mostly checking accounts). Depository institutions

must also regularly submit deposit reports of their deposits and other reservable liabilities.

For net transaction accounts in 2011, the first \$10.7 million, unchanged from its level in 2010, will be exempt from reserve requirements. A 3 percent reserve ratio will be assessed on net transaction accounts over \$10.7 million up to and including \$58.8 million, up from \$55.2 million in 2010. A 10 percent reserve ratio will be assessed on net transaction accounts in excess of \$58.8 million.

These annual adjustments, known as the low reserve tranche adjustment and the reserve requirement exemption amount adjustment, are based on growth in net transaction accounts and total reservable liabilities, respectively, at all depository institutions between June 30, 2009, and June 30, 2010.

For depository institutions that report weekly, the low reserve tranche adjustment and the reserve requirement exemption amount adjustment will apply to the 14-day reserve computation period that begins Tuesday, November 30, 2010, and the corresponding 14-day reserve maintenance period that begins Thursday, December 30, 2010.

For depository institutions that report quarterly, the low reserve tranche adjustment and the reserve requirement exemption amount adjustment will apply to the seven-day reserve computation period that begins Tuesday, December 21, 2010, and the corresponding seven-day reserve maintenance period that begins Thursday, January 20, 2011.

The Board also announced changes in two other amounts, the nonexempt deposit cutoff level and the reduced reporting limit, that are used to determine the frequency with which depository institutions must submit deposit reports. The Federal Register notice containing a description of the new boundaries for deposit reporting that will be effective in 2011 is available at <http://www.federalreserve.gov/newsevents/press/bcreg/20101026a.htm>. (*Board Press Release, 10/26/10*)

## **Federal Reserve Issues Report to Congress on Risk Retention**

On October 19, 2010, the Federal Reserve Board issued a report on the potential impact of credit risk retention requirements on securitization markets. The report was required by the Dodd-Frank Wall Street Reform and Consumer Protection

Act. The Dodd-Frank Act also requires the Federal Reserve and other agencies to jointly implement risk retention requirements for securitizers or originators of assets securitized through the issuance of asset-backed securities. The report highlights the significant differences in market practices and performance across securitizations backed by different types of assets. It recommends that the agencies take these differences into account when developing risk retention requirements in order to achieve the objectives of the Dodd-Frank Act without unnecessarily impeding the availability of credit. This report is available at <http://www.federalreserve.gov/newsevents/press/other/20101019a.htm>. (*Board Press Release, 10/19/10*)

## **Federal Reserve Proposes Amendments to Regulation Z to Clarify Rules Pertaining to Credit Cards**

On October 19, 2010, the Federal Reserve Board proposed a rule amending Regulation Z (Truth in Lending) to clarify aspects of the Board's rules protecting consumers who use credit cards. The proposal is intended to enhance protections for consumers and to resolve areas of uncertainty so that card issuers fully understand their compliance obligations. The proposal would clarify portions of the Federal Reserve's final rules implementing the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit Card Act), which was enacted in May 2009. The last of these rules went into effect on August 22, 2010. The details of this proposal are provided in the *Federal Register* notice that is available at <http://www.federalreserve.gov/newsevents/press/bcreg/20101019a.htm>. (*Board Press Release, 10/19/10*)

## **Federal Reserve Announces Interim Final Rule on Real Estate Appraisal**

On October 18, 2010, the Federal Reserve Board announced an interim final rule to ensure that real estate appraisers are free to use their independent professional judgment in assigning home values without influence or pressure from those with interests in the transactions. The rule also seeks to ensure that appraisers receive customary and reasonable payments for their services.

The interim final rule includes several provisions that protect the integrity of the appraisal

process when a consumer's home is securing the loan. The interim final rule:

- Prohibits coercion and other similar actions designed to cause appraisers to base the appraised value of properties on factors other than their independent judgment;
- Prohibits appraisers and appraisal management companies hired by lenders from having financial or other interests in the properties or the credit transactions;
- Prohibits creditors from extending credit based on appraisals if they know beforehand of violations involving appraiser coercion or conflicts of interest, unless the creditors determine that the values of the properties are not materially misstated;
- Requires that creditors or settlement service providers that have information about appraiser misconduct file reports with the appropriate state licensing authorities; and
- Requires the payment of reasonable and customary compensation to appraisers who are not employees of the creditors or of the appraisal management companies hired by the creditors.

The interim final rule is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Compliance will be mandatory on April 1, 2011. The *Federal Register* notice of this rule is available at <http://www.federalreserve.gov/newsevents/press/bcreg/20101018a.htm>. (Board Press Release, 10/18/10)

## Federal Reserve Releases New Publication: "Addressing the Impact of the Foreclosure Crisis"

A new publication, *Addressing the Impact of the Foreclosure Crisis*, details the innovative, community-based foreclosure prevention and neighborhood stabilization activities sponsored by the Federal Reserve as part of its Mortgage Outreach and Research Efforts (MORE) initiative. The presidents of the 12 Federal Reserve Banks worked collaboratively with the Board of Governors to launch MORE in 2009. The initiative seeks to employ the Federal Reserve System's substantial expertise in mortgage markets in ways that are useful to policymakers, community organizations, financial institutions, and the public. Highlights of the MORE group's work include bringing together housing advocates, lenders, academics, and key government officials to discuss foreclosure issues and develop solutions; partnering with the U.S. Departments of Labor and Treasury and the HOPE NOW Unemployment Task Force to assist unemployed homeowners at risk of losing their homes to foreclosure; developing online Foreclosure Resource Centers at each Reserve Bank and the Board of Governors; and sponsoring and distributing research on the foreclosure crisis, including studies on financial literacy and foreclosure prevention.

Additional information about the System's MORE activities is available in an online version of *Addressing the Impact of the Foreclosure Crisis* at [http://www.chicagofed.org/digital\\_assets/others/in\\_focus/foreclosure\\_resource\\_center/more\\_report\\_final.pdf](http://www.chicagofed.org/digital_assets/others/in_focus/foreclosure_resource_center/more_report_final.pdf). (Board Press Release, 10/25/10)

NOTE: Items in this publication focus on developments affecting banking structure in New England. The items are condensations of articles from a selected group of daily newspapers and press releases of federal and state financial regulatory agencies. Their reproduction does not imply our endorsement of the accuracy, opinions or policies reflected in the subject matter. Bank Notes is available without charge. To subscribe, please use our [online subscription form](#).

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