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## Keeping Options Open

# Mass. Thrifts Warily Eye OCC As OTS Closure Deadline Nears

## New Regulator's Familiar Faces Ease Fears, But Many Remain Skeptical Ahead Of July 21 Deadline

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After a year of anticipation, The Office of Thrift Supervision (OTS) officially dies July 21, to be reborn as part of the Office of the Comptroller of the Currency (OCC).

Massachusetts' thrift banks say they've chosen to stick it out and see what life is like under a new master – but some warn they're keeping their options open.

Almost 20 Massachusetts banks are regulated by the OTS. The OCC, in contrast, most notably oversees the largest U.S. banks, including Bank of America, but also oversees about 10 Massachusetts banks, all of which have less than \$500 million in assets.

Helpfully, the OCC will likely include a familiar face at the top: Thomas J. Curry, former Commissioner of Banks in Massachusetts, is President Barack Obama's selection to head the agency.



Thomas J. Curry  
Director of FDIC

In the past, mutual banks have expressed worry that the OCC – which has never regulated non-stock institutions – would not understand their interests. To them, Curry's probable appointment is a good sign.

"Tom completely understands mutuality. He completely gets it," said William Mayer, partner with Boston law firm Goodwin Procter. With Curry as the likely head and a number of former OTS regulators moving over to the new, combined agency, Mayer said previously OTS-regulated banks are feeling reassured that the transition will go as smoothly as possible.

CURRENT MASS. OCC-REGULATED BANKS		
BANK	HEADQUARTERS	ASSETS (in Millions)
Leader Bank, NA	Arlington	\$362.50
The Milford National Bank and Trust Co.	Milford	\$276.30
The First National Bank of Lewish	Lewish	\$271.70
The National Grand Bank of Marblehead	Marblehead	\$260.00
The Rockport National Bank	Rockport	\$169.50
The Edgartown National Bank	Edgartown	\$127.90
First Commonwealth Bank, NA	Newton Center	\$100.00
Military National Bank	Milbury	\$73.00
The Lenox National Bank	Lenox	\$55.30

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### Voting With Their Feet

The death of the OTS was written into the Dodd-Frank Act after the thrift supervisor drew heat for presiding over some of the financial collapse's worst failures. Washington Mutual, for example, was an OTS bank, as was the failed \$32 billion IndyMac.

"Change is always difficult," said Joseph Hayes, CEO of Scituate Federal Savings Bank, who acknowledged his bank had some concerns about whether the OCC would do right by mutual institutions like his. Plenty of people in regulatory agencies are clueless about how to deal with mutuals, Hayes said, noting that it took regulators about nine months to come up with a version of the Troubled Asset Relief Program that could apply to institutions that didn't deal in stock. He did acknowledge the OCC's recent actions seemed to indicate it would treat newcomers fairly and intelligently.

Hayes said his bank would keep its eyes peeled for the best options open to it, which might include a change in the future, depending on how things go with the new agency. Don Musso, owner of New Jersey-based consultancy FinPro, said his clients in New England and elsewhere are generally taking a similar "wait and see" approach.

"It's incumbent on the OCC to dispel the fears and let the mutual world know that they're a good place to be," he said.

The initial round of regulatory exams are going to be very telling: If the OCC regulators come in trying to prove they're meaner and tougher than the OTS, and don't seem willing to work well with their new charges, banks will flee.

The jury will be out on the matter for the next few months while regulators and banks settle into their new environments, but Musso said he wouldn't be surprised if banks opted to switch charters afterwards – in essence, they will vote with their feet.

### Do The Right Thing

But Musso said Curry's appointment is a good omen, as the former regulator of a mutual-heavy state like Massachusetts clearly knows a thing or two about mutual banks. In addition, the OCC has done an admirable job in the run-up to the change: "I think the OCC is trying to do the right things – they're doing as much outreach as they possibly can."

That outreach to new banks has impressed Michael Butler, CEO of Boston-based First Trade Union Bank, who told Banker & Tradesman that the OCC has kept up frequent communications, including outreach meetings, with its future banks.

"At the end of the day, I feel like those guys have done a pretty good job," Butler said.

And it's possible that the move will have some positives for First Trade; mutual, mortgage-heavy banks have some understandable concerns, but a public, commercially focused bank such as his might benefit from the OCC's wider range of expertise.

But in the end, Butler said, regulators' goals are still safety and soundness, regardless of which one comes knocking on the door.

"While we may have different biases and different tactical approaches periodically, we're all after the same thing."

Source: FDIC

CURRENT MASS. OTS-REGULATED BANKS*		
BANK	HEADQUARTERS	ASSETS
Brookline Bank	Brookline	\$2.7 billion
United Bank	West Springfield	\$1.6 billion
Wentfield Bank	Wentfield	\$1.2 billion
First Trade Union Bank	Boston	\$111.2 million
Robinson Bank & Trust	Fitchburg	\$529.6 million
Peoples Federal Savings Bank	Boston	\$526 million
Mutual Federal Savings Bank of Plymouth County	Whitman	\$376.3 million
Middlesex Federal Savings, F.A.	Somerville	\$370.2 million
Milford Federal Savings and Loan Assoc.	Milford	\$340.7 million
Colonial Federal Savings Bank	Quincy	\$289.6 million
Scituate Federal Savings Bank	Scituate	\$263.6 million
Winter Hill Bank, FSB	Somerville	\$252.9 million
Georgetown Savings Bank	Georgetown	\$206.2 million
Commonwealth Co-operative Bank	Hyde Park	\$165.6 million
Natick Federal Savings Bank	Natick	\$159 million
Foxboro Federal Savings	Foxboro	\$138.6 million
Family Federal Savings and Loan Assoc.	Fitchburg	\$93 million
Fidelity Personal Trust Company, FSB	Boston	\$92.7 million
First Federal Savings Bank of Boston	Boston	\$76.4 million

\*OTS-Regulated Banks Become OCC-Regulated Banks July 21. Source: FDIC

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