

FEDERAL RESERVE SYSTEM

People's United Financial, Inc.  
Bridgeport, Connecticut

Order Approving the Merger of Bank Holding Companies

People's United Financial, Inc. ("People's United"), Bridgeport, Connecticut, a financial holding company within the meaning of the Bank Holding Company Act of 1956 ("BHC Act"),<sup>1</sup> has requested the Board's approval under section 3 of the BHC Act<sup>2</sup> to merge with Suffolk Bancorp, and thereby indirectly acquire The Suffolk County National Bank of Riverhead ("Suffolk Bank"), both of Riverhead, New York. Following the proposed acquisition, Suffolk Bank would be merged into People's United's subsidiary bank, People's United Bank, N.A. ("People's United Bank"), Bridgeport, Connecticut.<sup>3</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (81 *Federal Register* 55457 (August 19, 2016)).<sup>4</sup> The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

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<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> 12 U.S.C. § 1842.

<sup>3</sup> The merger of Suffolk Bank with and into People's United Bank is subject to the approval of the Office of the Comptroller of the Currency ("OCC") pursuant to section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c). The OCC approved the merger on February 2, 2017.

<sup>4</sup> 12 CFR 262.3(b).

People's United, with consolidated assets of approximately \$40.6 billion, is the 60th largest depository organization in the United States. People's United controls approximately \$29.7 billion in consolidated deposits, which represent less than 0.3 percent of the total amount of deposits of insured depository institutions in the United States.<sup>5</sup> People's United controls People's United Bank, which operates in Connecticut, Maine, Massachusetts, New Hampshire, New York, and Vermont. People's United is the 34th largest depository organization in New York, controlling deposits of approximately \$3.4 billion in New York, which represent approximately 0.3 percent of the total deposits of insured depository institutions in that state.<sup>6</sup>

Suffolk Bancorp, with consolidated assets of approximately \$2.1 billion, is the 412th largest depository organization in the United States, controlling approximately \$1.9 billion in consolidated deposits nationwide, which represent less than 0.03 percent of the total amount of deposits of insured depository institutions in the United States. Suffolk Bancorp controls Suffolk Bank, which operates only in New York. Suffolk Bancorp is the 52nd largest insured depository organization in New York, controlling deposits of approximately \$1.7 billion in New York, which represent 0.1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, People's United would remain the 60th largest depository organization in the United States, with consolidated assets of approximately \$43.0 billion, which represent less than 0.2 percent of the total amount of assets of insured depository institutions in the United States. People's United would control consolidated deposits of approximately \$31.6 billion, which represent less than 0.3 percent of the total deposits of insured depository institutions in the United States. People's United would become the 29th largest depository organization in New York, controlling deposits of approximately \$5.1 billion, which represent approximately 0.4 percent of the total deposits of insured depository institutions in that state.

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<sup>5</sup> National asset and deposit data are as of September 30, 2016, unless otherwise noted.

<sup>6</sup> State deposit data are as of June 30, 2015.

## Interstate and Deposit Cap Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.<sup>7</sup> Under this section, the Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the bank has not been in existence for less than the state statutory minimum period of time or five years.<sup>8</sup> In addition, the Board may not approve an interstate application if the bank holding company controls, or would upon consummation of the proposed transaction control, more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, the bank holding company would upon consummation control 30 percent or more of the total deposits of insured depository institutions in the target bank's home state or in any state in which the acquirer and target have overlapping banking operations.<sup>9</sup>

For purposes of the BHC Act, the home state of People's United is Connecticut, and the home state of Suffolk Bank is New York.<sup>10</sup> People's United is well capitalized and well managed under applicable law and People's United Bank has a

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<sup>7</sup> 12 U.S.C. § 1842(d)(1)(A).

<sup>8</sup> 12 U.S.C. § 1842(d)(1)(B).

<sup>9</sup> 12 U.S.C. § 1842(d)(2)(A) and (B). The acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. *See* 12 U.S.C. § 1841(o)(4)–(7).

<sup>10</sup> *See* 12 U.S.C. § 1841(o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. A national bank's home state is the state in which the main office of the bank is located.

“Satisfactory” rating under the Community Reinvestment Act of 1977 (“CRA”).<sup>11</sup> New York does not have any minimum age requirements,<sup>12</sup> and Suffolk Bank has been in existence for more than five years.

On consummation of the proposed transaction, People’s United would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. In addition, the combined organization would control less than 30 percent of the total amount of deposits of insured depository institutions in New York, the only state in which People’s United and Suffolk Bancorp have overlapping banking operations. The Board has considered all other requirements under section 3(d) of the BHC Act, including People’s United’s record of meeting the convenience and needs of the communities it serves. Accordingly, in light of all the facts of record, the Board may approve the proposal under section 3(d) of the BHC Act.

#### Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.<sup>13</sup>

People’s United and Suffolk Bancorp have subsidiary depository institutions that compete directly in one geographic banking market, the Metro New York City banking market.<sup>14</sup> The Board has considered the competitive

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<sup>11</sup> 12 U.S.C. § 2901 *et seq.*

<sup>12</sup> *See* N.Y. Banking Law § 223.

<sup>13</sup> 12 U.S.C. § 1842(c)(1).

<sup>14</sup> The Metro New York City market includes Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester

effects of the proposal in this banking market in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking market; the relative shares of total deposits in insured depository institutions in the market (“market deposits”) that People’s United would control;<sup>15</sup> the concentration levels of market deposits and the increase in these levels as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>16</sup> and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Metro New York City banking market. On consummation, the Metro New York City

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counties and portions of Columbia and Greene counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union counties and portions of Burlington, Mercer, and Warren counties in New Jersey; Pike County and portions of Monroe and Wayne counties in Pennsylvania; and Fairfield County and portions of Litchfield and New Haven counties in Connecticut.

<sup>15</sup> Deposit and market share data are as of June 30, 2015, and unless otherwise noted, are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. *See, e.g., Midwest Financial Group*, 75 Federal Reserve Bulletin 386 (1989); *National City Corporation*, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 Federal Reserve Bulletin 52 (1991).

<sup>16</sup> Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. *See* Press Release, Department of Justice (August 19, 2010), available at [www.justice.gov/opa/pr/2010/August/10-at-938.html](http://www.justice.gov/opa/pr/2010/August/10-at-938.html).

banking market would remain unconcentrated, as measured by the HHI and as defined by the DOJ Bank Merger Guidelines. The change in HHI would be small, and numerous competitors would remain in the market.<sup>17</sup>

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the Metro New York City market or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

#### Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved. In its evaluation of the financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance, as well as public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the

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<sup>17</sup> Together, the two firms control 1.1 percent of the deposits in that market and their merger would increase the HHI by only 1 point. Nearly 240 competitors would remain in the market after the proposed acquisition.

ability of the organization to absorb the costs of the proposal and to complete effectively the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

People's United and Suffolk Bancorp are both well capitalized and People's United would remain so on consummation of the proposed acquisition. The proposed transaction is a bank holding company merger that is structured as a share exchange.<sup>18</sup> The asset quality, earnings, and liquidity of both People's United Bank and Suffolk Bank are consistent with approval, and People's United appears to have adequate resources to absorb the costs of the proposal and to complete the integration of the institutions' operations. In addition, future prospects are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of People's United, Suffolk Bancorp, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by People's United; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and information provided by the commenters.

People's United, Suffolk Bancorp, and their subsidiary depository institutions are each considered to be well managed. People's United's existing risk-management program and its directorate and senior management are considered to be

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<sup>18</sup> At the time of the merger, each share of Suffolk Bancorp common stock would be converted into the right to receive shares of People's United common stock, based on an exchange ratio.

satisfactory. The directors and senior executive officers of People's United have substantial knowledge of and experience in the banking and financial services sectors.

The Board also has considered People's United's plans for implementing the proposal. People's United has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address all aspects of the post-integration process for this proposal. People's United would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, People's United's management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and People's United plans to integrate Suffolk Bancorp's existing management and personnel in a manner that augments People's United's management.<sup>19</sup>

Based on all the facts of record, including People's United's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal, as well as the records of effectiveness of People's United and Suffolk Bancorp in combatting money-laundering activities, are consistent with approval.

#### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.<sup>20</sup> In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential

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<sup>19</sup> People's United will invite the members of the board of directors of Suffolk Bancorp to serve as members of a regional advisory board. People's United Bank also plans to hire the president and chief executive officer of Suffolk Bancorp as its New York Market President.

<sup>20</sup> 12 U.S.C. § 1842(c)(2).



effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,<sup>21</sup> and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods.<sup>22</sup>

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and comments received on the proposal. The Board also may consider the institution's business model, its marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of People's United Bank and Suffolk Bank, the fair lending and compliance records of both banks, the supervisory views of the OCC and the Consumer Financial Protection Bureau ("CFPB"), confidential supervisory information, information provided by People's United, and the public comments received on the proposal.

*Summary of Public Comments on Convenience and Needs*

The Board received comments from 14 commenters objecting to the proposal. All 14 commenters criticized People's United Bank's lending in the bank's

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<sup>21</sup> 12 U.S.C. § 2901(b).

<sup>22</sup> 12 U.S.C. § 2903.

New York City and Nassau-Suffolk County assessment areas (“AAs”) by asserting that People’s United Bank made a disproportionately low number of home purchase loans, home improvement loans, and refinance loans to African American, Asian, Hispanic, and LMI borrowers and by criticizing the rate at which People’s United denied applications by African Americans and Hispanics, as compared to whites, for home purchase loans, home improvement loans, and refinance loans, as reflected in data reported under the Home Mortgage Disclosure Act of 1975 (“HMDA”)<sup>23</sup> for 2012 through 2015. One commenter suggested that People’s United Bank engaged in redlining in the New York City and Nassau-Suffolk County AAs.

Thirteen of the commenters alleged that People’s United Bank makes a disproportionately low number of loans to businesses with annual revenues of less than \$1 million in the bank’s Hartford County and New Haven County AAs, both in Connecticut. These same commenters also generally alleged that People’s United Bank has an inadequate record of helping to meet the convenience and needs of the communities where it does business because People’s United Bank received a “Very Poor” rating on its investment performance in the Boston AA, a “Low Satisfactory” rating on its investment test in every state in which it operates except Vermont, and a “Low Satisfactory” rating on its lending and service tests in the New York City and Boston AAs, all in 2013. These commenters request that the Board not approve the proposal until People’s United enters into a community benefits plan that outlines how the bank plans to help meet the convenience and needs of the communities it serves.

One commenter expressed concern about the size of People’s United’s philanthropic grants. This commenter alleged that smaller grants can be less helpful for many nonprofit organizations, especially when coupled with extensive reporting requirements.

The Board also received 117 comments in support of the proposal from organizations that serve the communities in which People’s United Bank does business.

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<sup>23</sup> 12 U.S.C. § 2801 *et seq.*

These commenters stated that People's United Bank has been a valuable community partner and sponsor for many initiatives, including afterschool, crime reduction, community development, and homelessness reduction programs.

*Business of the Involved Institutions and Response to Comments*

People's United and People's United Bank offer a broad range of financial products and services to consumers and businesses. Through its branch network in Connecticut, Maine, Massachusetts, New Hampshire, New York, and Vermont, People's United Bank offers a variety of banking products and services to its customers, including commercial, retail, and small business banking services, as well as wealth management services to individual, corporate, and municipal customers.

Suffolk Bank is a full-service bank that offers commercial and retail banking products and services, including commercial real estate loans, multifamily and mixed-use commercial loans primarily in the boroughs of New York City, commercial and industrial loans and agricultural loans, as well as loans secured by residential mortgages (including second lien mortgage loans) with a variety of plans for repayment.

People's United denies the commenters' allegations of discriminatory lending and redlining. People's United represents that it is committed to all fair lending laws and regulations and actively engages in monitoring, testing, and internal controls to maintain compliance with fair lending laws and regulations. People's United asserts that it offers many affordable mortgage loan programs and community development activities to increase affordable housing opportunities for LMI individuals and communities. People's United also asserts that its home mortgage lending volume in the New York City and Nassau-Suffolk County AAs is small because People's United entered these markets beginning in 2010 by acquiring banking institutions that had either small mortgage portfolios or whose branch staff were not trained to accept applications for mortgage loans. People's United argues that, as a result, it has had to create a mortgage origination business *de novo* in these markets. People's United maintains that it is difficult for an institution with few branches in New York City to gain material market share because it is a highly competitive banking market where significantly larger

institutions enjoy broader name recognition. Since 2015, to increase its mortgage business in the New York City and Nassau-Suffolk County AAs, People's United has hired additional mortgage account officers and trained staff at the branch locations it has recently acquired to accept mortgage applications.

People's United represents that it is a committed lender to small businesses. According to People's United, it has been ranked as one of the top U.S. Small Business Administration volume lenders. People's United notes that it participates in programs with several government agencies to provide capital and special loans to small businesses. Specifically, People's United represents that People's United Bank is a significant investor in several small business loan funds, including the Connecticut-based Community Economic Development Fund and Capital for Change. People's United also represents that its employees provide human capital support to community development financial institutions and other entities that are focused on serving the needs of these communities.

People's United argues that its overall CRA rating of "Satisfactory" is consistent with approval, notwithstanding the isolated test ratings in the specific geographies noted by the commenters. People's United notes that its most recent CRA exam was conducted shortly after People's United Bank acquired branches in New York and Boston, so its CRA rating reflects the bank's performance in those markets before the institution had an opportunity to build its CRA program in those areas and does not reflect the bank's most recent efforts to improve its CRA performance. People's United also represents that it has taken steps to improve its CRA performance in the markets cited by the commenters, including by increasing its CRA-related investments in the Nassau-Suffolk County and Boston AAs between 2013 and 2016. People's United represents that it has made low-income, historic, new markets, and state tax credit investments in the New York City and Nassau-Suffolk County AAs. In addition, People's United represents that People's United Bank has undertaken a significant initiative to expand and broaden its mortgage origination capabilities in New York City and Long Island and has sought to expand its offering of affordable home mortgage

products by participating in various state housing authority programs. Further, People's United represents that it has invested substantial amounts in funds that support affordable housing in Massachusetts.

In response to commenters' contention that approval should be conditioned on People's United's entering into a community benefits plan, People's United argues that the submission of such a plan is not required for approval under section 3 of the BHC Act. It asserts that the record of People's United and People's United Bank in meeting the convenience and needs of the communities they serve is otherwise consistent with approval.<sup>24</sup>

With respect to criticisms of its philanthropic activity, People's United represents that it has maintained a high level of cash giving through The People's United Community Foundation, The People's United Community Foundation of Eastern Massachusetts, and People's United's corporate philanthropy program. People's United asserts that it has allocated its philanthropic resources in a manner it believes to be in the best interest of its charitable recipients and the communities they serve. Additionally, the Board received several letters from community groups stating that People's United's grant-making activities were positively impactful.<sup>25</sup>

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<sup>24</sup> The Board has consistently found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any organization. *See, e.g., Central Bancompany, Inc.*, FRB Order No. 2017-03 at 12 n. 22 (February 8, 2017); *Wintrust Financial Corporation*, FRB Order No. 2016-17 at 8 n. 19 (October 28, 2016); *Huntington Bancshares Incorporated*, FRB Order No. 2016-13 at 32 n. 50 (July 29, 2016); *CIT Group, Inc.*, FRB Order No. 2015-20 at 24 n. 54 (July 19, 2015). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA AAs.

<sup>25</sup> The Board has noted that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to engage in charitable giving. *See e.g., CIT Group, Inc.*, FRB Order No. 2015-20 at 22 n. 51 (July 19, 2015).

### *Records of Performance under the CRA*

In evaluating the convenience and needs factor and CRA performance, the Board considers substantial information in addition to information provided by public commenters and the responses to comments by the applicant. In particular, the Board evaluates an institution's performance in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions, as well as information and views provided by the appropriate federal supervisors.<sup>26</sup>

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.<sup>27</sup> An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply lending, investment, and service tests to evaluate the performance of a large insured depository institution in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's home mortgage, small business, small farm, and community development lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the lending test, examiners review and analyze an institution's HMDA data in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amount of

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<sup>26</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 75 Fed. Reg. 11642, 11665 (March 11, 2010).

<sup>27</sup> 12 U.S.C. § 2906.

home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's AAs; (2) the geographic distribution of the company's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amount of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amount of loans to low-, moderate-, middle-, and upper-income individuals;<sup>28</sup> (4) the institution's community development lending, including the number and amount of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions is not available from HMDA data.<sup>29</sup> Consequently, HMDA data disparities must be evaluated in the context of other information regarding the lending record of an institution.

#### *CRA Performance of People's United Bank*

People's United Bank was assigned an overall "Satisfactory" rating at its most recent CRA performance evaluation by the OCC, as of July 15, 2013 ("2013 CRA

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<sup>28</sup> Examiners also consider the number and amount of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. *See, e.g.*, 12 CFR 228.22(b)(3).

<sup>29</sup> Other data relevant to credit decisions could include credit history, debt-to-income ratios, and loan-to-value ratios. Accordingly, when conducting fair lending examinations, examiners analyze such additional information before reaching a determination regarding an institution's compliance with fair lending laws.

Evaluation”).<sup>30</sup> People’s United Bank received a “High Satisfactory” rating for the Lending and Service tests and a “Low Satisfactory” rating for the Investment Test.

Examiners found that People’s United Bank’s overall lending levels were responsive to community credit needs. According to examiners, the bank originated a substantial majority of loans within its AAs, and the distribution of loans across geographies and income levels was good. Examiners also found that People’s United Bank exhibited a very strong record of community development lending that enhanced the bank’s CRA performance in several AAs.

In New York, an area in which People’s United was a recent entrant at the time of the CRA examination, People’s United Bank’s performance under the Lending Test was rated “Low Satisfactory.” In the Nassau-Suffolk County AA, an area of concern to the commenters, People’s United Bank’s lending performance was considered adequate. Examiners found that, in New York, the bank’s level of community development lending was good, the overall geographic distribution of small loans to businesses was good, and the overall geographic distribution of home mortgage loans was adequate. Examiners also found that the overall borrower distribution of home mortgage lending and small loans to businesses was adequate. Examiners noted that People’s United Bank offered loan programs targeted to LMI borrowers, demonstrating product flexibility.

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<sup>30</sup> The 2013 CRA Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed home mortgage lending data and other CRA data (small loans to businesses and farms) from July 1, 2009, through December 31, 2012. Examiners reviewed community development loans, qualified investments, branching activities, and community development services from July 1, 2009, through June 30, 2013. The 2013 CRA Evaluation covered People’s United Bank’s 22 AAs located in six states and one multistate metropolitan statistical area (“MSA”): Connecticut, Maine, Massachusetts, New Hampshire, New York, Vermont, and the Boston-Cambridge-Quincy MSA. The 2013 CRA Evaluation included a full-scope review of nine of these AAs, including the multistate MSA. A limited-scope review was conducted of the remaining 13 AAs.



In Connecticut, including the Bridgeport, Hartford, and New Haven, Connecticut MSAs (“Connecticut MSAs”), another area of concern for the commenters and an area in which People’s United was well established at the time the CRA examination was conducted, examiners assigned People’s United a “High Satisfactory” rating for the Lending Test. Examiners found that the overall geographic distribution of small loans to businesses was excellent and of home mortgage loans was adequate. The examiners also found that, overall, the borrower distribution of the bank’s lending was good.

In the Boston-Cambridge-Quincy MA-NH Multistate MSA (“Boston MSA”), an area of concern for the commenters and an area in which People’s United was a recent entrant at the time the CRA examination was conducted, examiners found that the bank’s performance under the Lending Test was “Low Satisfactory.” With respect to home mortgage loans, examiners found that the overall geographic distribution of home purchase loans was good, but that the overall geographic distribution of home refinance loans was poor. Examiners also found that the overall borrower distribution of loans to small businesses was poor. However, examiners found that People’s United Bank made use of innovative and flexible lending practices.

With respect to the bankwide Investment Test, examiners found that the bank’s overall community development performance was adequate when considering the bank’s responsiveness to community needs through its strong lending performance. In New York, the bank received a “Low Satisfactory” rating. In the Connecticut MSAs, examiners found that People’s United Bank’s performance was adequate considering its investment authority limitations and “High Satisfactory” performance under the Lending Test. In the Boston MSA, examiners found that People’s United’s performance on the Investment Test was very poor and was not offset by the bank’s lending performance in that AA.

As noted, People’s United Bank received a “High Satisfactory” rating for the Service Test overall. In New York, examiners rated People’s United Bank’s performance as “Low Satisfactory.” However, examiners found that the bank’s branch

distribution in the Nassau-Suffolk County AA was good and that branches were reasonably accessible to individuals of different income levels. In the Connecticut MSAs, examiners rated People's United's performance as "High Satisfactory." Examiners found that bank employees participated, many in leadership roles, in a variety of organizations and partnerships, which benefited LMI individuals, promoted economic development, and provided affordable housing. In the Boston MSA, People's United Bank's performance on the Service Test was rated "Low Satisfactory." Examiners noted the bank's branch distribution was adequate and that branches were reasonably accessible to geographies and individuals of different incomes. Examiners stated that the bank's management provided alternative delivery systems to its customers. However, examiners noted that the bank had no branches in low-income geographies. Examiners also noted that the bank's employees provided a good level of community development services and participated in a variety of organizations and partnerships that benefited low- and moderate-income individuals, promoted economic development, and provided affordable housing.

*People's United Bank's Efforts since the 2013 CRA Evaluation*

People's United Bank represents that it has significantly expanded its investment activities, particularly in New York and Massachusetts, in order to help meet the needs of LMI communities since the 2013 CRA Evaluation. The bank states that it has significantly increased its CRA-related investments, including in affordable housing. It represents that it has offered debt facilities to further provide capital for economic development. It states that it also has provided grants and gifts to a number of community development organizations. It represents that it supports numerous nonprofit and economic development committees and has representatives that serve on advisory boards, investment committees, and loan committees for organizations engaged in community development and workforce development. The bank also asserts that the foundation affiliated with People's United Bank has provided grants to nonprofits engaged in financial education outreach for adults and children.

In New York, People's United Bank represents that it has made investments to build low-income housing, primarily through the purchase of Low-Income Housing Tax Credits. The bank states that it also has made community development and small business association loans. It represents that it has representatives who sit on advisory boards and committees for a number of community development organizations. In addition, the bank asserts that the community foundation affiliated with People's United has provided grants to nonprofit organizations and taught over 250 financial literacy classes in New York since the 2013 CRA Evaluation.

In Connecticut, People's United Bank represents that it has continued its commitment to providing banking services and investment capital to small businesses. The bank states that it has continued to invest in several small business loan funds and that its employees continue to sit on the loan committees of these funds and to help small businesses develop their creditworthiness. It states that its reputation for providing business operations and treasury management services to small businesses continues to grow in each of its AAs. The bank also highlighted its efforts to improve its home purchase lending in Connecticut. People's United Bank states that it has invested in participation certificates for junior mortgage instruments that allow consumers to purchase homes with close to 100 percent financing. The bank also represents that it has expanded the number of first-time homebuyer seminars it provides at no cost to consumers.

In Massachusetts, People's United Bank represents that it has substantially increased its level of CRA-related investments. For example, the bank represents it has significantly increased its level of CRA-qualified investments in Boston. The bank similarly represents that it has tripled its qualifying investments in Massachusetts as measured by both absolute dollar amounts and as a percentage of its tier 1 capital attributable to Massachusetts. People's United Bank states that these investments have primarily been used to develop affordable housing and to assist community development corporations that make capital contributions and loans to local and small businesses. The bank states that it has continued to sponsor the Federal Home Loan Bank of Boston's

affordable housing program and has committed additional funds to state and nonprofit entities that develop low-income housing projects and make loans to small businesses. The bank notes that its employees actively participate and volunteer with nonprofits in Massachusetts and that the bank has a dedicated CRA officer who focuses on Massachusetts and spends a significant amount of time developing relationships with community development organizations in the state.

People's United asserts that People's United Bank offers a variety of loan products to LMI households and communities, including home mortgages, small business loans, economic development loans, loans for affordable housing, and loans for rural development. It asserts that the bank also partners with federal and state agencies to provide lending products tailored to LMI households. It contends that People's United Bank makes community development investments by purchasing low-income housing tax credits, state tax credits, and historical tax credits, and by investing in equity funds that work to meet the banking needs of the communities in which the bank operates.

People's United represents that it has undertaken several marketing and informational campaigns to make LMI and other consumers aware of its product offerings. It asserts that the bank has distributed mortgage product information to local realtors, as well as information packets for first-time homebuyers to the bank's lending partners. It contends that, in the third quarter of 2016, People's United Bank engaged a marketing firm to create a program to inform LMI borrowers about affordable home-purchase and refinance mortgage options. It also maintains that the bank operates branches in grocery stores that offer extended weekday and weekend hours to accommodate consumers whose work schedules prohibit them from visiting a bank during regular business hours.

#### *CRA Performance of Suffolk Bank*

Suffolk Bank was assigned an overall "Outstanding" rating at its most recent CRA performance evaluation by the OCC, as of November 30, 2015 ("Suffolk

Bank Evaluation”).<sup>31</sup> Suffolk Bank received “Outstanding” ratings for the Lending Test and Service Test and a “High Satisfactory” rating for the Investment Test.<sup>32</sup>

Examiners found that Suffolk Bank’s geographic and borrower distribution of home mortgage loans was excellent, including in the Nassau-Suffolk County AA. Examiners also found that Suffolk Bank’s geographic distribution of small loans to businesses and distribution of loans to small businesses was excellent. Examiners noted that the bank has provided flexible lending programs that are responsive to identified affordable housing needs and that a high percentage of the bank’s loans were made within the bank’s AA.

Examiners found that Suffolk Bank made a significant number of community development investments even though there had been few opportunities for such investments. Examiners noted that the majority of investments targeted an identified need in Suffolk Bank’s AA, affordable housing for both home ownership and rental units.

Examiners noted that the bank’s delivery systems were readily accessible to geographies and individuals of different income levels. Examiners found that all of Suffolk Bank’s branches offered full retail services and that the percentage of branches located in moderate-income geographies coincided with the percentage of the population that lives in moderate-income geographies. Examiners observed that the bank had no branches in low-income geographies, but noted that only a few of the census tracts available to Suffolk Bank qualified as low-income and that less than 2 percent of the low-income population lived in the bank’s AA. Examiners also noted that Suffolk Bank had been responsive to the retail banking needs of the communities it served by adjusting its

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<sup>31</sup> The Suffolk Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed home mortgage lending data and other CRA data (small loans to businesses and farms) from January 1, 2013, to September 30, 2015. The evaluation period for the Lending Test, Investment Test, and Service Test was from December 3, 2012, through November 30, 2015.

<sup>32</sup> The Suffolk Bank Evaluation included a full-scope assessment review of the bank’s sole AA in the Nassau-Suffolk, New York MSA.

branch hours based on feedback from customers and community members. Examiners stated that Suffolk Bank was a leader in providing community development services, including by having its branch managers and executives provide technical assistance to local organizations that focused on economic development, including chambers of commerce, economic development corporations, redevelopment councils, and local non-profit organizations. Examiners commented favorably on the bank's free homebuyer workshop that educated LMI borrowers about home ownership and financing and the bank's seminars to help customers protect themselves against fraud and cybersecurity risks. Examiners concluded that Suffolk Bank's community development services benefit the needs of LMI individuals in the bank's AA.

*Views of the OCC and CFPB*

In addition to conducting its own review of the institutions' records of meeting the convenience and needs of the communities in which they operate, the Board consulted with the OCC regarding both institutions' CRA and consumer compliance records, as well as with the CFPB regarding People's United Bank's record of consumer compliance. The OCC is the primary supervisor of both People's United Bank and Suffolk Bank. The OCC considered all of the comments, including those received by the Board and those received jointly by the OCC and the Board, in connection with its review of the bank merger application submitted by People's United Bank. The OCC approved the bank merger application on February 2, 2017.

The Board also consulted with the OCC regarding People's United's and Suffolk Bancorp's records of compliance with fair lending laws and regulations and the banks' policies and procedures relating to fair lending and other consumer protection laws and regulations, as well as the lending records of both institutions. The OCC recently reviewed People's United Bank's fair lending management practices and the bank's framework for identifying fair lending risks. In conducting this review, the OCC evaluated the bank's product offerings, delivery channels, underwriting processes, pricing, marketing practices, and lender compensation programs. The OCC also recently completed a review of Suffolk Bank's fair lending program. As part of its review, the

OCC reviewed policies and procedures, training materials and records, compliance reviews, and loan data. The Board has taken into consideration this supervisory information.

*Additional Convenience and Needs Considerations*

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. People's United represents that, as a result of the proposal, existing customers of Suffolk Bancorp would have access to a complement of products and services that is comparable to or more expansive than that currently available at Suffolk Bancorp, including brokerage, financial advisory, and investment management services. Similarly, People's United represents that the merger would allow it to provide banking products not provided by Suffolk Bancorp that are targeted towards LMI consumers, including loans offered through the New York Mortgage Authority, Fannie Mae, the Home Development Fund, the Departments of Agriculture and Veterans Affairs, as well as the Federal Housing Administration. Moreover, People's United asserts that customers of both institutions would benefit from a more expansive branch and ATM network. For example, People's United Bank's supermarket branches offer expanded evening and weekend hours, providing expanded branch access and greater flexibility for people of all income levels, including LMI individuals whose work schedules make it difficult to visit a branch during "traditional" banking hours. People's United also asserts that it will maintain and enhance Suffolk Bank's strong CRA performance by leveraging Suffolk Bank's expertise in the Long Island market, especially its LMI lending performance, community development, and small business loan capabilities, and its existing involvement with local community development organizations.

*Conclusion on Convenience and Needs Considerations*

The Board has considered all the facts of record, including the records of the relevant depository institutions involved under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by People's United, public comments on

the proposal, information provided by the OCC and CFPB, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on this review, the Board concludes that the convenience and needs factor is consistent with approval.

### Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) amended section 3 of the BHC Act to require the Board to consider “the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system.”<sup>33</sup>

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.<sup>34</sup> These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving

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<sup>33</sup> Dodd-Frank Act § 604(d), Pub. L. No. 111-203, 124 Stat. 1376, 1601 (2010), codified at 12 U.S.C. § 1842(c)(7).

<sup>34</sup> Many of the metrics considered by the Board measure an institution’s activities relative to the U.S. financial system.



the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.<sup>35</sup>

In 2012, in its order approving Capital One Financial Corporation's acquisition of certain U.S. operations of ING, the Board stated that a proposal that involves an acquisition of less than \$2 billion in assets, that results in a firm with less than \$25 billion in total assets, or that represents a corporate reorganization may be presumed not to raise material financial stability concerns absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.<sup>36</sup> Since establishing this presumption, the Board's experience has shown that proposals involving an acquisition of less than \$10 billion in assets, or that result in a firm with less than \$100 billion in total assets, are generally not likely to create institutions that pose systemic risks. Transactions below either of these asset thresholds have typically not involved, or resulted in, firms with activities, structures, and operations that are complex or opaque.<sup>37</sup> Such transactions have also not materially increased the interconnectedness or complexity of the financial system.

Accordingly, the Board now presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of the aforementioned size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other

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<sup>35</sup> For further discussion of the financial stability standard, see *Capital One Financial Corporation*, FRB Order No. 2012-2 (February 14, 2012).

<sup>36</sup> *Id* at 30.

<sup>37</sup> See e.g., *F.N.B. Corporation*, FRB Order No. 2017-06 (February 24, 2017); *Huntington Bancshares Incorporated*, FRB Order No. 2016-13 (July 29, 2016); *KeyCorp*, FRB Order No. 2016-12 (July 12, 2016); *BB&T Corporation*, FRB Order No. 2015-35 (December 23, 2015); *M&T Bank Corporation*, FRB Order No. 2015-27 (September 30, 2015); *BB&T Corporation*, FRB Order No. 2015-18 (July 7, 2015).

risk factors.<sup>38</sup> The Board will continue to presume that a proposal that represents a corporate reorganization does not raise financial stability concerns.<sup>39</sup>

In this case, the Board has considered information relevant to risks to the stability of the U.S. banking or financial system. The proposal involves a target that has less than \$10 billion in assets and a pro forma organization of less than \$100 billion in assets. Both the acquirer and the target are predominately engaged in retail commercial banking activities.<sup>40</sup> The pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose significant risk to the financial system in the event of financial distress.

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<sup>38</sup> Notwithstanding these presumptions, the Board has the authority to review the financial stability implications of any proposal. For example, any acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

<sup>39</sup> The Board delegates to the Reserve Banks the authority to approve applications and notices in connection with proposals that meet the presumptions described above and that otherwise meet the criteria for delegated action.

<sup>40</sup> People's United primarily offers commercial and consumer banking services, mortgage banking services, commercial real estate lending, automobile financing, equipment leasing, community development investment, investment advisory and management services, fiduciary administration, trust services and operations, discount securities brokerage services, treasury management, capital market services (including corporate risk management, institutional sales, and trading and underwriting, including municipal bond underwriting and private placement activities), as well as reinsuring credit life and disability insurance and selling other insurance and financial products and services as agent. Suffolk Bancorp offers primarily retail and commercial deposit and loan products, commercial lease financing and related services, insurance brokerage services, financial consulting, trust operations, and fiduciary services. In each of its activities, People's United has, and as a result of the proposal would continue to have, a small market share on a nationwide basis, and numerous competitors would remain for these services.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

### Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.<sup>41</sup> In reaching its conclusion, the

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<sup>41</sup> A commenter requested that the Board hold public hearings or meetings on the proposal. Section 3(b) of the BHC Act does not require that the Board hold a public hearing on any application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 U.S.C. § 1842(b); 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately represent their views. The Board has considered the commenter's request in light of all the facts of record. Notice of the proposal was published in the *Federal Register* on August 19, 2016, and in relevant newspapers of general circulation (*Newsday* and *Connecticut Post*) on August 11, 2016. The comment period ended on September 10, 2016. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenter's request did not identify disputed issues of fact material to the Board's decision that would be clarified by a public meeting. In addition, the request did not demonstrate why written comments do not present the commenter's views adequately or why a hearing or meeting otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the request for a public hearing or meeting on the proposal is denied.

In addition, several commenters requested a further extension of the comment period for the proposal. As noted above, the Board believes that commenters have had ample opportunity to submit comments on the proposal. During the comment period, the commenters, including the requestors, submitted detailed comments in writing regarding the proposal. The Board's rules contemplate that the public comment period will not be extended absent a clear demonstration of hardship or other meritorious reason for seeking additional time. The commenters' requests for additional time to comment do not identify circumstances that would warrant an extension of the public comment period for this proposal. Accordingly, the Board determined not to extend further the comment period.

Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by People's United with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, acting under delegated authority.

By order of the Board of Governors,<sup>42</sup> effective March 16, 2017.

*Margaret McCloskey Shanks (signed)*

Margaret McCloskey Shanks  
Deputy Secretary of the Board

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<sup>42</sup> Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard.