

FEDERAL RESERVE SYSTEM

Webster Financial Corporation  
Waterbury, Connecticut

Order Approving the Merger of Bank Holding Companies

Webster Financial Corporation (“WFC”), Waterbury, 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 Sterling Bancorp, and thereby indirectly acquire Sterling National Bank (“Sterling Bank”), both of Pearl River, New York. Following the proposed merger, Sterling Bank would be merged with and into WFC’s subsidiary bank, Webster Bank, N.A. (“Webster Bank”), Waterbury, Connecticut.<sup>3</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (86 Federal Register 30462 (June 8, 2021)).<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.

WFC, with consolidated assets of approximately \$35.4 billion, is the 68th largest insured depository organization in the United States.<sup>5</sup> WFC controls

---

<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> 12 U.S.C. § 1842.

<sup>3</sup> The merger of Sterling Bank into Webster 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 August 2, 2021.

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

<sup>5</sup> Consolidated asset and national deposit, ranking, and market share data are as of September 30, 2021.

approximately \$30.0 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.<sup>6</sup> WFC controls Webster Bank, which operates in Connecticut, Massachusetts, New York, and Rhode Island. Webster Bank is the 123rd largest insured depository organization in New York, controlling deposits of approximately \$333 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.<sup>7</sup>

Sterling Bancorp, with consolidated assets of approximately \$30.0 billion, is the 76th largest insured depository organization in the United States. Sterling Bancorp controls approximately \$24.0 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Sterling Bancorp controls Sterling Bank, which operates in New York only. Sterling Bank is the 17th largest insured depository organization in New York, controlling deposits of approximately \$23.3 billion, which represent approximately 1 percent of the total deposits of insured depository institutions in that state.

On consummation of the proposal, WFC would become the 46th largest insured depository organization in the United States, with consolidated assets of approximately \$65.4 billion, which represent less than 1 percent of the total assets of insured depository organizations in the United States. WFC would control total consolidated deposits of approximately \$54.0 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In New York, WFC would remain the 17th largest insured depository organization, controlling deposits of approximately \$23.7 billion, which would represent approximately 1.0 percent of the total deposits of insured depository institutions in that state.

---

<sup>6</sup> In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

<sup>7</sup> State deposit ranking and deposit data are as of June 30, 2021.

## *Interstate and Deposit Cap Analyses*

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 that is well capitalized and well managed 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 would be prohibited under state law.<sup>8</sup> The Board (1) may not approve an application that would permit an out-of-state bank holding company or bank to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years;<sup>9</sup> (2) must take into account the record of the applicant bank under the Community Reinvestment Act of 1977 (“CRA”)<sup>10</sup> and the applicant’s record of compliance with applicable state community reinvestment laws;<sup>11</sup> and (3) may not approve an interstate application if the bank holding company or resulting bank, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company or resulting bank, upon consummation, would 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 bank have overlapping banking operations.<sup>12</sup>

---

<sup>8</sup> 12 U.S.C. § 1842(d)(1)(A). 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. *See* 12 U.S.C. § 1841(o)(4)(C).

<sup>9</sup> 12 U.S.C. § 1842(d)(1)(B).

<sup>10</sup> 12 U.S.C. § 2901 *et seq.*

<sup>11</sup> 12 U.S.C. § 1842(d)(3).

<sup>12</sup> 12 U.S.C. § 1842(d)(2)(A) and (B). For purposes of section 3(d) of the BHC Act, 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 branch. The Board considers a bank to be located in any state in which the bank is chartered, headquartered, or operates a branch. *See* 12 U.S.C. § 1841(o)(4)-(7).

For purposes of the BHC Act, the home state of WFC is Connecticut. Sterling Bank is located solely in New York. WFC is well capitalized and well managed under applicable law. Webster Bank has a “Outstanding” rating under the CRA. New York does not have a minimum age requirement applicable to the proposal,<sup>13</sup> and Sterling Bank has been in existence for more than five years.

On consummation of the proposed transaction, WFC would control less than 1 percent of the total amount of consolidated deposits of insured depository institutions in the United States. New York, the only state in which Webster Bank and Sterling Bank have overlapping operations, does not impose a limit on the total amount of in-state deposits that a single banking organization may control. Accordingly, in light of all the facts of record, the Board is not precluded from approving 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.<sup>14</sup> 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 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>15</sup>

Webster Bank and Sterling Bank compete directly in the Metro New York City, NY-NJ-CT-PA banking market (“Metro New York banking market”).<sup>16</sup> The Board

---

<sup>13</sup> N.Y. Banking Law §§ 142-a.1; 143-b.

<sup>14</sup> 12 U.S.C. § 1842(c)(1)(A).

<sup>15</sup> 12 U.S.C. § 1842(c)(1)(B).

<sup>16</sup> The Metro New York City, NY-NJ-CT-PA banking market is defined as Fairfield County, Connecticut; Bethlehem, Bridgewater, Canaan, Cornwall, Goshen, Kent, Litchfield, Morris, New Milford, North Canaan, Plymouth, Roxbury, Salisbury, Sharon, Thomaston, Warren, Washington, Watertown, and Woodbury towns in Litchfield

has considered the competitive effects of the proposal in this banking market. In particular, the Board has considered the relative share of total deposits in insured depository institutions in the market (“market deposits”) that WFC would control;<sup>17</sup> the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice (“DOJ”) Bank

---

County, Connecticut; Ansonia, Beacon Falls, Bethany, Cheshire, Derby, Hamden, Meriden, Middlebury, Milford, Naugatuck, North Haven, Orange, Oxford, Prospect, Seymour, Southbury, Wallingford, Waterbury, Wolcott, and Woodbridge in New Haven County, Connecticut; Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester counties, New York; Hudson City, Ancram, Clermont, Copake, Gallatin, Germantown, Greenport, Livingston, and Taghkanic towns in Columbia County, New York; Catskill, Halcott, Hunter, and Lexington towns in Greene County, New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union counties, New Jersey; Pemberton and Wrightstown boroughs, Bass River, New Hanover, North Hanover, Pemberton, Shamong, Southampton, Tabernacle, Washington, and Woodland Townships in Burlington County, New Jersey; Hightstown, Hopewell, Pennington, Princeton boroughs, East Windsor, Ewing, Hopewell, Lawrence, Princeton, Robbinsville, and West Windsor townships in Mercer County, New Jersey; Washington Borough, Belvidere, and Hackettstown towns, Allamuchy, Blairstown, Franklin, Frelinghuysen, Greenwich, Hardwick, Harmony, Hope, Independence, Knowlton, Liberty, Lopatcong, Mansfield, Oxford, Washington, and White townships in Warren County, New Jersey; Pike County, Pennsylvania; Delaware Water Gap, East Stroudsburg, Mount Pocono, and Stroudsburg boroughs, Barrett, Coolbaugh, Middle Smithfield, Paradise, Pocono, Price, Smithfield, and Stroud townships in Monroe County, Pennsylvania; and Hawley borough, Berlin, Damascus, Dreher, Lebanon, Manchester, Oregon, Palmyra, Paupack, Salem, and Sterling townships in Wayne County, Pennsylvania.

<sup>17</sup> Local deposit and market share data are as of June 30, 2020, and 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); and 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).

Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>18</sup> the number of competitors that would remain in the market; 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 banking market. On consummation of the proposal, the Metro New York banking market would remain moderately concentrated as measured by the HHI, according to the DOJ Bank Merger Guidelines, and numerous competitors would remain in the market.<sup>19</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.

---

<sup>18</sup> In applying the DOJ Bank Merger Guidelines issued in 1995 ([see https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995](https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995)), the Board looks to the DOJ’s Horizontal Merger Guidelines, issued in 1992 and amended in 1997, for the characterization of a market’s concentration. [See https://www.justice.gov/atr/horizontal-merger-guidelines-0](https://www.justice.gov/atr/horizontal-merger-guidelines-0). Under these Horizontal Merger Guidelines, which were in effect prior to 2010, 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 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 ([see https://www.justice.gov/atr/horizontal-merger-guidelines-08192010](https://www.justice.gov/atr/horizontal-merger-guidelines-08192010)), 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 https://www.justice.gov/opa/pr/2010/August/10-at-938.html](https://www.justice.gov/opa/pr/2010/August/10-at-938.html).

<sup>19</sup> WFC is the 19th largest depository organization in the Metro New York banking market, controlling approximately \$19.8 billion in deposits, which represent less than 1 percent of market deposits. Sterling Bancorp is the 18th largest depository organization in the market, controlling deposits of approximately \$23.3 billion, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, WFC would become the 11th largest depository organization in the market, controlling deposits of approximately \$43.1 billion, which would represent 1.7 percent of market deposits. The HHI for the Metro New York banking market would increase by two points to 1473, and 208 competitors would remain in the 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 determines 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 banking 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 and the effectiveness of the institutions in combatting money laundering.<sup>20</sup> In its evaluation of 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 public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as the impact of the proposed funding of the transaction and any 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 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

---

<sup>20</sup> 12 U.S.C. § 1842(c)(2), (5), and (6).

proposal in light of their financial and managerial resources and the proposed business plan.

WFC, Sterling Bancorp, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is structured as a share exchange, with a subsequent merger of the subsidiary banks.<sup>21</sup> The capital, asset quality, earnings, and liquidity of WFC and Sterling Bancorp are consistent with approval, and WFC and Sterling Bancorp appear to have adequate resources to absorb the related 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 WFC, Sterling 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 WFC; 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 the public comments received on the proposal.

WFC, Sterling Bancorp, and their subsidiary depository institutions are considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and the proposed risk-management program appears consistent with approval of this expansionary proposal.

---

<sup>21</sup> To effect the transaction, each share of Sterling Bancorp common stock and preferred stock would be converted into a right to receive shares of WFC common stock and preferred stock, respectively, based on an exchange ratio. Any fractional shares of WFC that would result from this conversion may be exchanged for cash. WFC has the financial resources to effect the transaction.

The Board also has considered WFC's plans for implementing the proposal. WFC has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. WFC represents that the combined organization would select the strongest capabilities and systems from the existing risk-management governance, operations, and systems of WFC and Sterling Bancorp to create a firm-wide risk-management program. Both WFC's and Sterling Bancorp's existing risk-management policies, procedures, and controls are considered acceptable from a supervisory perspective. In addition, WFC's and Sterling Bancorp's management have the experience and resources to ensure that the combined organization would operate in a safe and sound manner, and WFC plans to integrate Sterling Bancorp's existing management and personnel in a manner that would augment WFC's management.<sup>22</sup>

Based on all of the facts of record, including WFC's supervisory record, managerial and operational resources, and plans for operating the combined organization after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of WFC and Sterling 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>23</sup> In its evaluation, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of these communities. The Board

---

<sup>22</sup> On consummation of the proposal, WFC would increase the size of its board by six directors. The combined organization would have a board of 15 directors, eight of whom would be appointed from WFC's or Webster Bank's boards, and seven of whom would be appointed from Sterling Bancorp's or Sterling Bank's boards.

<sup>23</sup> 12 U.S.C. § 1842(c)(2).

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 the institutions' safe and sound operation,<sup>24</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, in evaluating bank expansionary proposals.<sup>25</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 public comments on the proposal. The Board also may consider the institution's business model and 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 Webster Bank and Sterling Bank; the fair lending and compliance records of both banks; the supervisory views of the OCC and Consumer Financial Protection Bureau ("CFPB"); confidential supervisory information; information provided by WFC; and the public comments on the proposal.

*Public Comment on the Proposal*

The Board received one adverse comment on the proposal.<sup>26</sup> The commenter objected to the proposal, alleging that in 2019, as a result of disparate

---

<sup>24</sup> 12 U.S.C. § 2901(b).

<sup>25</sup> 12 U.S.C. § 2903.

<sup>26</sup> The Board also received a comment in support of the proposal.

marketing, Webster Bank made fewer home loans in the states of Connecticut and New York to African American individuals as compared to white individuals.<sup>27</sup> The commenter also alleged that in 2019, Webster Bank denied home loans to African American individuals at a higher rate than it denied white individuals. In addition, the commenter asserted that the proposal has no public benefit.<sup>28</sup>

*Businesses of the Involved Institutions and Response to the Public Comment*

Webster Bank offers consumer and commercial loan and deposit products, wealth management services, and business banking products. These products and services include a wide range of checking, savings, money market accounts, and certificates of deposits, as well as credit products, such as mortgage home equity, student, personal, and commercial loans. Sterling Bank offers a variety of commercial and consumer loan products, including residential mortgages, home equity lines of credit, personal credit cards, small business lending, lines of credit, commercial mortgages, commercial term loans, real estate financing, and syndications. Sterling Bank also provides a variety of deposit services, including checking, savings, and money market deposit accounts; individual retirement accounts; certificates of deposit; and private banking and wealth management accounts, as well as business checking and merchant card services. Both banks offer internet banking and mobile banking services.

---

<sup>27</sup> The data cited by the commenter appears to correspond to publicly available 2019 data reported by Webster Bank under the Home Mortgage Disclosure Act of 1975 (“HMDA”). 12 U.S.C. § 2801 *et seq.*

<sup>28</sup> In addition, the commenter stated that Webster Bank underperformed in lending under the Paycheck Protection Program (“PPP”). In response, Webster Bank represents that it provided significant PPP funding, including more than \$2.0 billion in PPP financing for more than 18,500 PPP loans, and that approximately 88 percent of these loans were to entities with annual payrolls of \$1 million or less. The commenter also raised nonspecific and unsupported concerns about Webster Bank’s health savings accounts. In addition, the commenter reiterated previously raised questions about the reliability of Sterling Bank’s CRA data that have previously been addressed. *See Sterling Bancorp*, FRB Order No. 2017-21 at 9-11 (Aug. 30, 2017); *Sterling Bancorp*, FRB Order No. 2015-16 (June 15, 2015).

In response to the comment, WFC represents that Webster Bank maintains a comprehensive fair lending program intended to ensure access to credit and financial products for all population segments and communities in its footprint. WFC further represents that Webster Bank performs regular and ongoing analysis of its lending, including its HMDA and CRA lending data. This analysis includes a review for any potential distribution issues related to Webster Bank's mortgage and small business applications and approvals. The analysis also focuses on how the bank's lending compares to market demographics and to applications received and approved by peer lenders in the same markets.

WFC further represents that Webster Bank has been developing additional partnerships in minority communities and undertaking other initiatives and outreach to ensure that its home mortgage lending, small business lending, and other banking relationships continue to reach minority communities throughout its footprint, including African American individuals and communities. WFC states that these initiatives and outreach are part of the bank's continuous efforts to enhance its lending, banking services, and relationships in such communities.

*Records of Performance under the CRA*

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the OCC with respect to both Webster Bank and Sterling Bank.<sup>29</sup> In addition, the Board considers information provided by the applicant and by public commenters.

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>30</sup> An

---

<sup>29</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48,506, 48,548 (July 25, 2016).

<sup>30</sup> 12 U.S.C. § 2906.

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 a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as Webster Bank and Sterling Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities 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 data reported under the HMDA, 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 evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts 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 amounts of loans to low-, moderate-, middle-, and upper-income individuals;<sup>31</sup> (4) the institution's community development lending, including the number and amounts of community development loans and their

---

<sup>31</sup> Examiners also consider the number and amounts of small business and small farm loans made 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).

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.<sup>32</sup> The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.<sup>33</sup>

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender 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 lending may not be available solely from public HMDA data.<sup>34</sup> Consequently, the Board requests additional information not available to the public that may be needed from the institution and evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

*CRA Performance of Webster Bank*

Webster Bank was assigned an overall "Outstanding" rating at its most recent CRA performance evaluation by the OCC, as of August 3, 2020 ("Webster Bank

---

<sup>32</sup> See 12 CFR 228.22(b).

<sup>33</sup> See 12 CFR 228.21 *et seq.*

<sup>34</sup> Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public before reaching a determination regarding an institution's compliance with fair lending laws.

Evaluation”).<sup>35</sup> The bank received “Outstanding” ratings for the Lending, Investment, and Service Tests.<sup>36</sup>

With respect to the Lending Test, examiners found that a high percentage of Webster Bank’s loans were in the bank’s AAs. Examiners determined that Webster Bank exhibited excellent geographic and borrower distribution of loans. Examiners concluded that Webster Bank had excellent lending activity in all rating areas. Examiners found that Webster Bank’s community development lending positively impacted the bank’s performance on the Lending Test. Examiners also determined that Webster Bank originated a significant amount of innovative and flexible lending products.

In Connecticut and New York, the areas of concern for the commenter, examiners determined that Webster Bank’s lending levels reflected excellent responsiveness to the credit needs of those areas. Examiners assigned Webster Bank an “Outstanding” rating for the Lending Test in Connecticut and a “High Satisfactory” rating for the Lending Test in New York. In reaching these conclusions, examiners found that Webster Bank exhibited excellent geographic and borrower distribution of loans in Connecticut, and good geographical distribution of loans and an adequate borrower distribution of loans in New York.

With respect to the Investment Test, examiners found that Webster Bank made substantial community development qualified investments in its RI-MA MMSA and state rating areas. Examiners assigned Webster Bank an “Outstanding” rating for the Investment Test in all AAs due to the bank’s high levels of qualified community

---

<sup>35</sup> The Webster Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loan data, excluding community development loans, from January 1, 2017, through December 31, 2019. Examiners reviewed community development activities from August 8, 2017, through December 31, 2019.

<sup>36</sup> The Webster Bank Evaluation involved a full-scope review of the bank’s activities in the Providence-Warwick Rhode Island-Massachusetts Multistate Metropolitan Statistical Area (“RI-MA MMSA”), Bridgeport-Stamford-Norwalk Metropolitan Statistical Area (“MSA”), Hartford-East Hartford-Middletown MSA, New Haven-Milford MSA, Boston-Cambridge-Newton MSA, and New York-White Plains-Jersey City MSA.

development investments compared to allocated tier 1 capital. In Connecticut, an area of concern for the commenter, examiners found that Webster Bank's community development investments exhibited at least good responsiveness to credit and community economic development needs in the bank's rating areas and that the bank's qualified investments, donations, and grants were responsive to affordable housing needs and also exhibited complexity. In New York, the other area of concern for the commenter, examiners found that Webster Bank had an excellent level of qualified community development investments and grants and that these investments exhibited good responsiveness to identified community needs.

With respect to the Service Test, examiners found that Webster Bank's branch distribution in the state of Connecticut and the RI-MA MMSA was excellent. Examiners also found that Webster Bank was a leader in providing community development services in the state of Connecticut and provided at least a good level of community development services in its other rating areas. Likewise, in New York, examiners determined that Webster Bank's delivery systems were reasonably accessible to geographies and individuals of different income levels and that Webster Bank provided a good level of community services.

*Webster Bank's Efforts Since the Webster Bank Evaluation*

WFC represents that, since the Webster Bank Evaluation, the bank has engaged in several initiatives to further expand its lending, investment, and service activities. WFC notes as an example that Webster Bank has enhanced its proprietary mortgage loan product to expand the eligibility of more LMI borrowers by reducing the interest rate, broadening the qualifying income guidelines, and including coverage for refinance opportunities. WFC also notes that the bank has developed additional partnerships to enhance its home mortgage lending, small business lending, and other banking relationships in underserved communities.

*CRA Performance of Sterling Bank*

Sterling Bank received an overall "Satisfactory" rating at its most recent CRA performance evaluation by the OCC, as of April 20, 2020 ("Sterling Bank

Evaluation”).<sup>37</sup> Sterling Bank received a “High Satisfactory” rating for the Lending Test, an “Outstanding” rating for the Investment Test, and a “Low Satisfactory” rating for the Service Test.<sup>38</sup>

With respect to the Lending Test, examiners found that Sterling Bank’s lending levels reflected adequate responsiveness to the credit needs in the bank’s New York CSA AA. Examiners noted that Sterling Bank had an adequate geographic distribution of both home mortgage and small businesses loans in its AAs. Examiners found that Sterling Bank offered an excellent level of community development loans that exhibited excellent responsiveness to the needs of the New York CSA AA and had a positive impact on the Lending Test performance rating. However, examiners also found that Sterling Bank had a poor distribution of loans among individuals of different income levels and businesses of various sizes in its AAs.

With respect to the Investment Test, examiners determined that Sterling Bank had an excellent level of qualified investments that demonstrated excellent responsiveness to the community development needs in the bank’s AAs. Examiners found that Sterling Bank had an excellent level of qualified community development investments and grants, occasionally in a leadership position among peers. In addition, examiners determined that Sterling Bank exhibited excellent responsiveness to credit and community economic development needs in its AAs and made significant use of innovative and/or complex investments to support community development initiatives.

---

<sup>37</sup> The Sterling Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed loan data, excluding community development loans, from January 1, 2017, through December 31, 2019. Examiners reviewed community development activities from January 22, 2017, through December 31, 2019.

<sup>38</sup> The Sterling Bank Evaluation involved a full-scope review of the bank’s activities in Sullivan County, New York, and in the New York Combined Statistical Area (“CSA”), consisting of Bronx, Kings, Nassau, New York, Orange, Putnam, Queens, Rockland, Suffolk, Ulster, and Westchester counties, New York, and Bergen County, New Jersey.

With respect to the Service Test, examiners found that Sterling Bank provided a significant level of community development services in the New York CSA and that such services were effective and responsive in helping the bank address community needs. Examiners determined that, in general, Sterling Bank maintained reasonably accessible service-delivery systems.

*Additional Supervisory Views*

In its review of the proposal, the Board consulted with the OCC as the primary federal supervisor of Webster Bank and Sterling Bank. The Board considered the views of the OCC regarding the banks' CRA and consumer compliance records, records of compliance with fair lending laws and regulations, and policies and procedures relating to fair lending and other consumer protection laws and regulations. In addition, the Board considered the views of the CFPB regarding the consumer compliance records of both Webster Bank and Sterling Bank.

The Board has taken the views of the OCC and CFPB, as well as all information discussed above, into account in evaluating this proposal. The Board has considered whether WFC has the experience and resources to ensure that the combined organization effectively implements policies and programs that would enable the combined organization to help meet the credit needs of the communities within its AAs.

*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. WFC represents that customers of both banks would benefit from the combined strength of the resulting organization, and, over time, the resulting bank would leverage the greater resources of the combined organization to enhance product offerings, customer service, and community involvement. WFC represents that the transaction would provide each bank's customers with access to the other's products and services, including consumer and commercial credit and deposit services, specialty lending products, treasury and wealth management services, and other related services and resources. WFC also represents that it does not

anticipate discontinuing or making significant modifications to any existing products or services of Webster Bank or Sterling Bank as a result of the proposal.

In addition, the Board considers the impact of branch closures, consolidations, or relocations that may occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. The Board focuses in particular on the effect of any closures, consolidations, or relocations on LMI, distressed, or underserved nonmetropolitan middle-income communities and on majority-minority communities. Federal banking law requires a bank to provide notice to the public and the appropriate federal supervisory agency before closing a branch.<sup>39</sup> In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.<sup>40</sup> WFC represents that no branches of the combined organization would be closed, consolidated, or relocated in connection with the proposal.

#### *Conclusion on Convenience and Needs Considerations*

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, the views of the OCC and CFPB, confidential supervisory information, information provided by WFC, the public comment on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

---

<sup>39</sup> See 12 U.S.C. § 1831r-1. Banks also are required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

<sup>40</sup> See, e.g., 12 CFR 228.24(d)(2). The OCC, as the primary federal supervisor of Webster Bank, would review branch closures in evaluating the CRA performance of the bank.

### *Financial Stability Considerations*

Section 3 of the BHC Act requires 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>41</sup>

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the combined organization and the incremental effect of the transaction on the systemic footprint of the acquiring institution. These metrics include measures of the size of the resulting institution, the availability of substitute providers for any critical products and services offered by the resulting institution, 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 combined organization.<sup>42</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 opacity and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.<sup>43</sup>

The Board’s experience has shown that proposals involving an acquisition of less than \$10 billion in total assets, or that result in a firm with less than \$100 billion in total assets, generally are not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets

---

<sup>41</sup> 12 U.S.C. § 1842(c)(7).

<sup>42</sup> Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

<sup>43</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.<sup>44</sup>

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a pro forma organization of less than \$100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.<sup>45</sup> The pro forma organization 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 a significant risk to the financial system in the event of financial distress.

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 United States 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>46</sup> In reaching its conclusion, the

---

<sup>44</sup> See People's United Financial, Inc., FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

<sup>45</sup> Webster Bank and Sterling Bank offer a range of retail and commercial banking products and services. Webster Bank has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

<sup>46</sup> The commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the

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 WFC with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal. The Board's approval also is conditioned on receipt by WFC of all required regulatory approvals. 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 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is

---

appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b); see also 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also, in its discretion, may hold a public hearing or meeting if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted a written comment that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and that would be clarified by a public hearing or meeting. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing 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 is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

In addition, the commenter requested an extension of the comment period for 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 commenter's request for additional time to comment does not identify circumstances that would warrant an extension of the public comment period for this proposal. Accordingly, the Board has determined not to extend the comment period.

extended for good cause by the Board or the Federal Reserve Bank of Boston, acting under delegated authority.

By order of the Board of Governors,<sup>47</sup> effective December 17, 2021.

*(Signed) Ann E. Misback*

---

Ann E. Misback  
Secretary of the Board

---

<sup>47</sup> Voting for this action: Chair Powell, Vice Chair Clarida, and Governors Bowman, Brainard, Quarles, and Waller.