

FEDERAL RESERVE SYSTEM

Charter One Financial, Inc.
Cleveland, Ohio

Charter-Michigan Bancorp, Inc.
Dearborn, Michigan

Order Approving the Acquisition of a Bank and the Formation of a Bank Holding Company

Charter One Financial, Inc. (“Charter One Financial”), a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”), has requested the Board’s approval under section 3 of the BHC Act (12 U.S.C. § 1842) for several applications related to the conversion of Charter One Bank, F.S.B., Cleveland, Ohio (“Charter One FSB”), a thrift institution, to a national bank charter. On its conversion, Charter One FSB would become Charter One Bank, N.A., Cleveland, Ohio (“National Bank”); and Charter-Michigan Bancorp, Inc. (“Charter-Michigan”), a wholly owned subsidiary of Charter One Financial, would become a bank holding company.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (67 Federal Register 1979 (2002)). The time for filing 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.

Charter One Financial, with total consolidated assets of \$38.2 billion, is the 28th largest commercial banking organization in the United States, controlling less than 1 percent of total assets of insured depository institutions in

the United States.¹ Charter One Financial operates depository institutions in Illinois, Massachusetts, Michigan, New York, Ohio, and Vermont. Charter One Financial is headquartered in Ohio, where it is the ninth largest banking organization, controlling deposits of \$5.7 billion in the state, representing approximately 3.2 percent of total deposits in insured depository institutions in the state.²

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking. The BHC Act also prohibits the Board from approving a proposed combination that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effects of the proposal in meeting the convenience and needs of the community to be served.³

The proposal represents the conversion of Charter One Financial's subsidiary savings association into a national bank and does not involve the acquisition of any depository institution not already controlled by Charter One Financial. Accordingly, and based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on

¹ Asset and ranking data are as of December 31, 2001.

² Deposit data are as of June 30, 2001. In this context, depository institutions include commercial banks, savings banks, and savings associations.

³ 12 U.S.C. § 1842(c).

competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval.⁴

Convenience and Needs Considerations

In acting on proposals under section 3 of the BHC Act, the Board is required to consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act (“CRA”).⁵ The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with safe and sound operation, and requires the appropriate federal supervisory agency to take into account an institution’s record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, in evaluating bank expansion proposals. The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Charter One Financial in light of all the facts of record, including public comments received on the effect of the proposal.

⁴ The Department of Justice has reviewed the proposal and advised the Board that its consummation would not likely have any significantly adverse competitive effects in any relevant markets. The Office of the Comptroller of the Currency (“OCC”) and the Federal Deposit Insurance Corporation (“FDIC”) have been afforded an opportunity to comment and have not objected to consummation of the proposal.

⁵ 12 U.S.C. § 2901 et seq.

A. Summary of Public Comments

The Board received comments from three commenters who opposed the proposal and expressed concerns about the CRA performance record of Charter One Financial and Charter One FSB. Commenters generally criticized Charter One FSB's record of home mortgage lending to LMI and minority residents and in LMI communities and communities with predominantly minority populations ("minority communities") in the Chicago and Cleveland areas. The commenters alleged or expressed concern that data submitted under the Home Mortgage Disclosure Act ("HMDA")⁶ demonstrated that Charter One FSB engaged in disparate treatment of LMI or minority individuals in Chicago and Cleveland. One commenter expressed concern about the level of Charter One FSB's community development and outreach activity in the Cleveland area.⁷

⁶ 12 U.S.C. § 2801 et seq.

⁷ This commenter also criticized Charter One FSB's management for not reaching an agreement with some local community groups and for management's waning responsiveness to requests for meetings with these community groups. The Board notes that the CRA requires that in considering an acquisition proposal, the Board carefully review the actual performance records of the relevant depository institutions in helping to meet the credit needs of the communities. Neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges concerning future performance under the CRA, confer authority on the agencies to enforce pledges made to third parties, or require depository institutions to meet with particular persons. The Board also notes that future activities of Charter One's subsidiary depository institutions will be considered by the Board in any subsequent applications by Charter One Financial to acquire a depository institution.

B. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations of the CRA performance records by the appropriate federal supervisors of the relevant insured depository institutions. 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 of the institution's overall record of performance under the CRA by its appropriate federal supervisor.⁸

Charter One Financial's two subsidiary depository institutions received "satisfactory" ratings at their most recent CRA evaluations. Charter One FSB, which currently accounts for almost all of Charter One Financial's total consolidated assets, received a "satisfactory" rating from its primary federal supervisor, the Office of Thrift Supervision ("OTS"), at its most recent CRA evaluation, as of May 14, 2001 (the "Charter One FSB Examination"). Charter One Commercial, Albany, New York ("Charter One Commercial"), received a "satisfactory" rating from the FDIC at its most recent CRA evaluation, as of March 27, 2001.⁹

Examiners found no evidence of prohibited discrimination or other illegal credit practices at either of Charter One Financial's insured depository institutions and no violations of substantive provisions of the fair lending laws. Examiners also reviewed the assessment areas delineated by Charter One

⁸ See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,639 (2001).

⁹ Charter One Commercial is a limited purpose bank offering commercial loan products in the Albany, New York, banking market. See 12 C.F.R. 345.25.

Financial's subsidiary depository institutions and did not report that these assessment areas were unreasonable or arbitrarily excluded LMI areas.

C. Charter One's CRA Performance Record

Overview. Examiners rated the thrift "satisfactory" overall based on its total performance in community lending, investment, and services throughout its assessment areas. In particular, examiners reported that Charter One FSB's responsiveness to the credit needs in its assessment areas was generally good, noting that lending activity levels were excellent in four out of Charter One FSB's six assessment areas in Ohio, and good or better in most of Charter One FSB's assessment areas in Michigan and New York.¹⁰ Examiners noted that the distribution of loans by Charter One FSB among borrowers at all income levels was adequate or better in all major Metropolitan Statistical Area ("MSA") markets in which Charter One FSB operated. According to the Charter One FSB Examination, the thrift had certain weaknesses in its geographic distribution of loans. Examiners stated that geographic distribution of loans by Charter One FSB reflected a poor distribution in large assessment areas, including the Cleveland-Akron, Ohio; Detroit-Ann Arbor, Michigan; Rochester, New York; and Buffalo, New York MSAs. Examiners noted that the geographic distribution of loans by Charter One FSB was adequate in non-MSA areas of Ohio, Michigan, and Vermont and excellent in New York non-MSA areas.

Examiners reported that Charter One FSB offered a variety of products and programs to assist in meeting the housing-related credit needs of LMI

¹⁰ The Charter One FSB Examination focused primarily on Charter One FSB's performance in Michigan, New York, and Ohio because the majority of Charter One FSB's resources and business activity is in those states.

individuals and communities, including government-sponsored home mortgage loan programs, such as those sponsored by the Federal Housing Authority (“FHA”) and the Veterans Administration (“VA”). Charter One FSB has also created a “core city delivery channel” for its affordable housing loan products through community-based loan originators. The loan originators operate primarily out of branches in central cities and/or LMI neighborhoods and provide expanded services, including loan counseling, free mortgage loan preapprovals and prequalifications, confidential credit counseling services, and workshops for first-time home buyers. Examiners also noted a flexible home loan program developed by Charter One FSB, the Central City Home Ownership Programs (“CCHAP”).¹¹

Examiners commended Charter One FSB for its high level of community development lending. Examiners also determined that Charter One FSB had a significant level of qualified community development investments, including a significant volume of investments qualifying for low-income housing tax credits.

Examiners found that Charter One FSB provided a good level of banking services in many of its assessment areas. For example, examiners noted that Charter One FSB was a leader in providing community development services in the Cleveland-Akron and Detroit-Ann Arbor assessment areas. Examiners

¹¹ Examiners noted that the CCHAP program permits down payments as low as 5 percent. Points are not required and, depending on the program selected, borrowers benefit from reduced closing costs, higher permitted debt ratios, and interest rates as low as 5 percent less than Charter One FSB’s conventional loan programs. CCHAP programs are available for one- or two-family home loans, and borrower income cannot exceed 115 percent of the MSA median family income.

found that Charter One FSB's services did not vary in a way that inconvenienced any portion of its assessment areas.

Chicago. Examiners noted that Charter One FSB did not have a significant presence in the Chicago Primary Metropolitan Statistical Area ("PMSA") before its merger with St. Paul Bancorp, Inc. in October 1999. Examiners also noted that the Chicago assessment area of Charter One FSB was a highly competitive market and although Charter One FSB had increased its market share of deposits since October 1999, it remained a relatively small market participant with 1.9 percent of total deposits in the Chicago assessment area, as of June 30, 2000. Examiners reported that in view of these facts, Charter One FSB demonstrated an adequate responsiveness to the credit needs of the assessment area.

From January 1, 2000, to March 21, 2001 (the "Chicago review period"), Charter One FSB originated or purchased 6,329 HMDA-reportable loans, totaling \$1.2 billion, compared with approximately \$3.7 billion in deposits that Charter One FSB held in the Chicago assessment area, as of June 30, 2001. Approximately 11.7 percent of Charter One FSB's HMDA-reportable loans were originated to borrowers in LMI census tracts, compared with 16.7 percent of the HMDA-reportable loans by Chicago-assessment-area lenders in the aggregate in 1999. Although examiners noted that Charter One FSB's penetration in LMI census tracts lagged the percentage achieved by all HMDA reporters in 1999, examiners considered Charter One FSB's lending to borrowers of different income levels to be good. During the Chicago review period, Charter One FSB made 26.3 percent of its HMDA-reportable loans to LMI borrowers, compared with 27.5 percent of the HMDA-reportable loans by lenders in the aggregate in 1999.

Examiners noted that Charter One FSB made good use of flexible lending practices to help meet the Chicago assessment area's credit needs. In addition to the FHA, VA, and CCHAP flexible lending programs that the thrift offers in all its assessment areas, Charter One FSB offers five other programs in Illinois.¹² In 2000, Charter One FSB originated 212 loans in the Chicago PMSA under its various flexible lending programs, totaling almost \$22 million.

Examiners also noted that, during the Chicago review period, Charter One FSB made three community development loans, totaling more than \$1.9 million, to nonprofit organizations that provided LMI housing in the Chicago assessment area.

Charter One FSB received a "High Satisfactory" for its investment activities in Illinois. Examiners noted that Charter One FSB had a significant level of innovative complex qualified investments, totaling more than \$2.8 million during the Chicago review period, and noted that Charter One FSB made grants and donations totaling \$337,475 to organizations that provided community development services in the Chicago assessment area.

Examiners reported that Charter One FSB's banking services were reasonably accessible to all residents of the assessment area and that services did

¹² These programs are: (1) the City of Chicago Department of Housing Programs, a partnership between Charter One FSB and the City of Chicago to assist LMI first-time home buyers; (2) the Assist Program, which provides closing costs and down-payment funding to LMI borrowers who occupy their home as a primary residence; (3) the Chicago Public Schools Program, a program for LMI employees of the Chicago Public Schools that provides a credit toward closing costs and a .25-percent discount off market rates; (4) the New Cities Program, which provides LMI borrowers with counseling and financial assistance in the purchase of a primary residence; and (5) the Illinois Housing Development Authority Program, which helps LMI residents become homeowners through education, below-market interest rates, and down-payment grants.

not vary in a way that inconvenienced portions of the assessment area. Examiners also noted that Charter One FSB maintained alternative delivery systems, including 24-hour telephone banking, internet banking, and automated teller machines (“ATMs”) with bilingual instructions. In addition, bilingual employees and brochures were available to assist customers.

Cleveland. Charter One FSB received a “High Satisfactory” for its lending activities in Ohio, based primarily on its performance in the Cleveland-Akron assessment area.¹³ Examiners found that Charter One FSB’s high overall volume of home lending in the Cleveland-Akron assessment area reflected an excellent responsiveness to the areas credit needs and noted that Charter One FSB was a market leader in providing home purchase and refinance loans in the area. Based on 1999 aggregate HMDA data, Charter One FSB ranked second with a 5.3 percent market share of the number of HMDA-reportable loans made in the Cleveland-Akron CMSA.

From April 1, 1998, to March 31, 2001 (the “Cleveland review period”), Charter One FSB originated or purchased 17,678 HMDA-reportable loans, totaling \$2 billion. During the Cleveland review period, 8.9 percent of its HMDA-reportable loans were to borrowers residing in LMI census tracts, compared with 20.1 percent of the HMDA-reportable loans by lenders in the aggregate in 1999. Although examiners noted that Charter One FSB’s level of penetration in LMI census tracts was poor compared with the level achieved by all HMDA reporters in 1999 (it ranked fifth in market share in LMI census tracts), examiners considered Charter One FSB’s lending to borrowers of different income

¹³ Charter One FSB’s Cleveland-Akron assessment area includes most of the Cleveland-Akron Consolidated Metropolitan Statistical Area (“CMSA”).

levels to be good. During the Cleveland review period, Charter One FSB made 27.3 percent of its HMDA-reportable loans to LMI borrowers, compared with 29.8 percent of the HMDA-reportable loans by lenders in the aggregate in 1999.

Examiners noted that Charter One FSB made good use of flexible lending practices to help meet the Cleveland-Akron assessment area's credit needs. From April 1, 1998, to December 31, 2000, Charter One FSB originated 761 loans in the Cleveland-Akron assessment area under its FHA, VA, and CCHAP flexible lending programs, totaling more than \$51.5 million. In addition to the FHA, VA, and CCHAP flexible lending programs, Charter One FSB offers two other flexible lending programs in the Cleveland-Akron assessment area: the Cleveland Down Payment Match Program, in which Charter One FSB provides matching down-payment grants of up to \$2,000 applied to a 5-percent down payment for home purchases in LMI census tracts in Cleveland; and the City of Akron Refinance/Rehabilitation Program, a program coordinated with the City of Akron in which Charter One FSB provides financing for home rehabilitation for homes in neighborhoods that the City of Akron has identified as LMI neighborhoods in Akron's inner city.

Examiners also noted favorably that during the Cleveland review period, Charter One FSB made twelve community development loans in the Cleveland-Akron assessment area, totaling \$32.7 million. Examiners reported that these loans funded twelve projects that primarily benefited LMI residents, including six multifamily housing projects and six projects that provided multiple-site, single-family home financing.

Charter One FSB also received a "High Satisfactory" rating for its investment activities in Ohio. Examiners noted that Charter One FSB had a significant level of innovative complex qualified investments in the Cleveland-

Akron assessment area, totaling more than \$603 million during the Cleveland review period. Examiners noted that these qualified investments included low-income housing tax credits, such as National Equity Fund Limited Partnerships, which channeled corporate equity investments into low-income housing developments, and Enterprise Social Investment Corporation Limited Partnerships, which provided funds to develop inner city affordable housing projects. In addition to these investments, examiners noted that Charter One FSB and its affiliates maintained \$650,000 in deposits with a community development financial institution that specialized in urban revitalization loan programs in LMI neighborhoods in Cleveland. During the Cleveland review period, Charter One FSB made grants and donations totaling \$265,475 to organizations that provided community development services in the Cleveland-Akron assessment area.

Charter One FSB also received a “High Satisfactory” rating for its retail banking services in Ohio. As of May 14, 2001, Charter One FSB operated 72 full-service retail offices in the Cleveland-Akron assessment area. Examiners reported that 15.2 percent of these offices were in LMI census tracts. Although examiners noted that the percentage of offices in LMI census tracts was lower than the percentage of LMI census tracts in the assessment area, and that individuals in LMI census tracts had limited access to Charter One FSB’s offices in Cleveland, examiners reported that individuals residing in LMI census tracts had good access to Charter One FSB offices in Akron. Examiners noted that Charter One FSB’s Cleveland-Akron assessment area branches offered a full array of bank products and services and maintained branch hours that did not inconvenience any portion of Charter One FSB’s Cleveland-Akron assessment area or any group of individuals. In addition, examiners cited the bank’s alternative delivery systems,

including ATMs with bilingual instructions on some machines, 24-hour telephone banking, and free internet banking.

Examiners commended Charter One FSB for its leadership in providing community development services to its Cleveland-Akron assessment area. Charter One FSB provided support through employee involvement with organizations that promoted affordable housing for LMI individuals, provided community services targeted to LMI individuals, or conducted activities that revitalized or stabilized LMI areas. For instance, Charter One FSB provided community development services through its participation in several projects to construct new homes and rental units in LMI areas of Cleveland.

D. HMDA Data

The Board has considered Charter One FSB's record in light of comments received relating to the HMDA data reported by the thrift and its subsidiaries.¹⁴ In its Chicago assessment area, Charter One FSB's percentage of HMDA-reportable loans to African-American and Hispanic applicants, as well as to borrowers in predominantly minority census tracts, lagged the percentage for lenders in the aggregate from 1999 to 2000. Charter One FSB's denial disparity ratios for African-American and Hispanic individuals were higher than the denial disparity ratios of lenders in the aggregate in its Chicago assessment area in 1999 and 2000.¹⁵

¹⁴ Commenters criticized Charter One FSB's record of home mortgage lending to LMI and minority individuals or in LMI and predominantly minority communities in the Chicago and Cleveland MSAs.

¹⁵ The denial disparity ratio compares the denial rate for minority loan applicants with the denial rate for nonminority applicants.

The Board also notes that Charter One FSB only recently entered the Chicago market with the acquisition of St. Paul Bancorp, Inc. in October 1999. Data for 1999 through 2000 indicate that Charter One FSB's HMDA lending volume increased significantly in its Chicago assessment area from 1999 to 2000. By comparison, lending volume for lenders in the aggregate decreased in Chicago in 2000. Moreover, Charter One FSB's origination rates to African-American and Hispanic applicants in its Chicago assessment area significantly exceeded the levels for lenders in the aggregate.¹⁶

In its Cleveland-Akron assessment area, the HMDA data show that Charter One FSB's denial disparity ratios for African-American and Hispanic individuals were higher than the denial disparity ratios for lenders in the aggregate in its Cleveland-Akron assessment area in 1999 and 2000. Data for 1998 through 2000 indicate that Charter One's percentage of HMDA-reportable loans to African-American applicants and to borrowers in predominantly minority census tracts lagged the corresponding percentages for lenders in the aggregate, while Charter One FSB's lending percentage to Hispanic applicants approximated the aggregate during the same period. Charter One FSB's origination rate to Hispanic applicants slightly lagged the area's aggregate levels, but its origination rate to

¹⁶ In 2000, 52.2 percent of the HMDA-reportable loan applications Charter One FSB received from African-American applicants and 68.2 percent from Hispanic applicants in its Chicago assessment area resulted in originations, while the aggregate origination rate in the Chicago assessment area for the same period was 39.2 percent African-American applicants and 57.3 percent for Hispanic applicants.

African-American applicants and to borrowers residing in predominantly minority census tracts significantly exceeded the area's aggregate levels.¹⁷

The Board is concerned when the record of an institution indicates disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of their race or income level. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.¹⁸ HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in

¹⁷ In 2000, 50 percent of the HMDA-reportable loan applications Charter One FSB received from African-American applicants, 44.3 percent from Hispanic applicants, and 44.1 percent from borrowers in predominantly minority census tracts in its Cleveland-Akron assessment area resulted in originations, while the aggregate origination rate in the Cleveland-Akron assessment area for the same period for loan applications received from African American applicants was 36.2 percent for African-American applicants, 50.2 percent for Hispanic applicants, and 27.1 percent for borrowers in predominantly minority census tracts.

¹⁸ For example, the data do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data. HMDA data also may be incomplete and may not identify all applicants with regard to income level, ethnicity, or other demographic factors.

meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information. As a result of the disparities noted in Charter One FSB's HMDA data, examiners specifically conducted a thorough on-site fair lending exam and found no evidence of prohibited discrimination or other illegal credit practices at Charter One FSB or any of its affiliates or subsidiaries. In addition, the OCC conducted a preconversion examination of Charter One FSB in late February 2002 in connection with its application to convert to a national bank charter. The preconversion examination also included a fair lending review, which found no evidence of prohibited discrimination or other illegal credit practices.¹⁹ The record also indicates that Charter One FSB has taken a number of affirmative steps to ensure compliance with fair lending laws. Charter One FSB has instituted monthly reviews of denied, withdrawn, and approved loan application files, a second-review process for denied applications, regularly scheduled self-assessments, annual audits by its internal audit department,²⁰ and annual training on applicable fair lending laws and regulations.²¹

¹⁹ The OCC approved the proposed conversion on March 13, 2002.

²⁰ The annual audits review compliance with applicable fair lending laws and regulations in each lending area of Charter One FSB. They also review the self-assessment programs and related procedures of the lending areas.

²¹ One commenter contended, based in part on HMDA data, that Charter One FSB, through its subsidiary, Charter One Credit Corp. ("Charter One Credit"), improperly markets higher-cost subprime loan products to LMI and predominantly
(continued . . .)

The Board also has considered the HMDA data in light of Charter One Financial's overall lending record, which show that its subsidiary depository institutions significantly assist in helping to meet the credit needs of the communities served, including LMI areas.

E. Conclusion on Convenience and Needs

In reviewing the effects of the proposal on the convenience and needs of the communities to be served, the Board has carefully considered the entire record, including all the information provided by commenters and Charter One Financial, evaluations of the CRA performance of each of Charter One Financial's insured depository institution subsidiaries, and confidential supervisory information. As noted above, the CRA examination of Charter One FSB found some weaknesses in its lending performance. However, examiners also noted a number of strengths in Charter One FSB's lending, investment, and service activities and determined that the overall CRA performance record of Charter One FSB was "satisfactory." The Board also notes that Charter One has instituted steps to address weaknesses in its performance and has shown some improvement

(. . . continued)

minority communities in its Cleveland-Akron assessment area, while marketing lower-cost prime loan products to nonminority and more affluent communities.

The Board notes that subprime lending is a permissible activity and provides needed credit to consumers who have difficulty meeting conventional underwriting criteria. As discussed above, Charter One FSB has taken a number of affirmative steps to ensure compliance with fair lending laws, and examiners found no evidence of prohibited discrimination or other illegal credit practices at Charter One FSB or any of its affiliates or subsidiaries, including Charter One Credit. In addition, Charter One Credit has implemented a procedure for referring borrowers that appear to qualify for traditional "prime" home mortgage loans to Charter One Financial's prime lenders, Charter One FSB and Charter One Mortgage Company.

in its lending. The Board expects that Charter One will continue these efforts. Based on a review of all the facts of record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of Charter One FSB and Charter One Commercial, are consistent with approval of the proposal.

Financial, Managerial, and Other Supervisory Factors

The BHC Act also requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, and certain other supervisory factors. The Board has carefully considered the financial and managerial resources and future prospects of Charter One Financial and its subsidiary depository institutions, and other supervisory factors in light of all the facts of record. As part of this consideration, the Board has reviewed relevant reports of examination and other supervisory information. Charter One Financial, Charter-Michigan, and their subsidiary depository institutions are well capitalized and are expected to remain so after consummation of the proposal. The Board also notes that this proposal represents a corporate reorganization and does not involve the acquisition of an additional institution.

Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Charter One Financial, Charter-Michigan, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the applications should be, and hereby are, approved.²² In reaching its conclusion, 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 all other applicable statutes. The Board's approval is specifically conditioned on compliance by Charter One Financial and Charter-Michigan with all the commitments made in connection with the proposal and with the conditions discussed in this order. These representations, commitments, and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

²² Two commenters requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board in its discretion also may hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). The Board has considered carefully the commenters' requests in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and commenters have submitted written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests fail to demonstrate why their written comments do not present their views adequately. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the requests for a public meeting or hearing on the proposal are denied.

The transaction shall not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors,²³ effective April 22, 2002.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

²³ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, and Olson.