

FEDERAL RESERVE SYSTEM

Popular, Inc.
San Juan, Puerto Rico

Popular International Bank, Inc.
San Juan, Puerto Rico

Popular North America, Inc.
Mt. Laurel, New Jersey

Banco Popular North America
New York, New York

Order Approving the Acquisition of a Savings Association, the Merger of Depository Institutions, and the Establishment of Branches

Popular, Inc. and its wholly owned subsidiaries, Popular International Bank, Inc. and Popular North America, Inc., each a financial holding company within the meaning of the Bank Holding Company Act (“BHC Act”) (collectively, “Popular”), have requested the Board’s approval under sections 4(c)(8) and 4(j) of the BHC Act¹ to acquire Quaker City Bancorp, Inc. (“Quaker City”), and its wholly owned subsidiary, Quaker City Bank (“Quaker City Bank”), a federally chartered savings association, both in Whittier, California.

In addition, Popular’s subsidiary bank, Banco Popular North America (“Banco Popular”), a state member bank, has requested the Board’s approval to merge with Quaker City Bank pursuant to section 18(c) of the Federal Deposit Insurance Act (“FDI Act”) (“Bank Merger Act”) and section 5(d)(3) of the FDI Act, with Banco Popular as the surviving entity.² Banco Popular also has applied under section 9 of the Federal Reserve Act (“FRA”)³ to retain and operate branches

¹ 12 U.S.C. §§ 1843(c)(8) and (j).

² 12 U.S.C. § 1828(c); 12 U.S.C. § 1815(d)(3).

³ 12 U.S.C. § 321 (“FRA”). These branches are listed in the Appendix.

at the locations of Quaker City Bank's main office and branches.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (69 Federal Register 24,602 (2004)) and in accordance with the Bank Merger Act and the Board's Rules of Procedure.⁴ As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General and the appropriate banking agencies. 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 4 of the BHC Act, the Bank Merger Act, and other applicable statutes.

Popular, with total consolidated assets of \$38.1 billion, is the 35th largest depository organization in the United States, controlling deposits of \$18.6 billion.⁵ Popular operates depository institutions in California, Florida, Illinois, New York, New Jersey, Texas, Puerto Rico, and the U.S. Virgin Islands. Popular is the 102nd largest depository organization in California, controlling deposits of \$398 million. Quaker City, with total consolidated assets of approximately \$1.8 billion, is the 47th largest depository organization in California and operates one depository institution in the state that controls deposits of \$1.1 billion.

On consummation of the proposal, Popular would have consolidated assets of approximately \$40 billion and would control deposits of \$19.7 billion, which represent less than 1 percent of the total amount of deposits of insured

⁴ See 12 C.F.R. 262.3(b).

⁵ Asset data are as of March 31, 2004, and nationwide ranking data are as of May 31, 2004. Statewide deposit and ranking data are as of June 30, 2003. In this context, the term "insured depository institution" includes insured commercial banks, savings associations, and savings banks.

depository institutions in the United States. Popular would become the 36th largest depository organization in California, controlling deposits of approximately \$1.5 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the state.

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.⁶ The Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. Popular has committed to conform all the activities of Quaker City to those permissible under section 4(c)(8) of the BHC Act and Regulation Y.

In reviewing the proposal, the Board is required by section 4(j)(2)(A) of the BHC Act to determine that the acquisition of Quaker City by Popular “can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.”⁷ As part of its evaluation of the public interest factors, the Board reviews the financial and managerial resources of the companies involved, as well as the effect of the proposal on competition in the relevant markets.⁸ In acting on notices to acquire a savings association, the Board also reviews the records of performance of the relevant insured depository institutions under the Community Reinvestment Act

⁶ 12 C.F.R. 225.28(b)(4)(ii).

⁷ 12 U.S.C. § 1843(j)(2)(A).

⁸ See 12 C.F.R. 225.26.

(“CRA”).⁹

Competitive Considerations

As part of the review under the Bank Merger Act and consideration of the public interest factors under section 4 of the BHC Act, the Board has considered the competitive effects of the proposal in light of all the facts of record.¹⁰ Banco Popular and Quaker City Bank compete directly in the Los Angeles banking market.¹¹ The Board has reviewed carefully the competitive effects of the proposal in this banking market in light of all the facts of record, including the number of competitors that would remain in the market, the relative share of total deposits in depository institutions controlled by Banco Popular and Quaker City Bank in the market (“market deposits”),¹² the concentration level of market deposits

⁹ 12 U.S.C. § 2901 et seq.; see, e.g., BancOne Corporation, 83 Federal Reserve Bulletin 602 (1997).

¹⁰ See First Hawaiian, Inc., 79 Federal Reserve Bulletin 966 (1993).

¹¹ The Los Angeles banking market is defined as the Los Angeles Ranally Metro Area and the towns of Acton in Los Angeles County, Rancho Santa Margarita in Orange County, and Rosamond in Kern County, all in California.

¹² Deposit and market share data are based on annual branch reports filed as of June 30, 2003, and on calculations in which the deposits of thrift institutions are included at 50 percent. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of 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 calculation of market share on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991). Because the Board has analyzed the competitive factors in this case as if Quaker City and Popular were a combined entity, the deposits of Quaker City Bank are included at 100 percent in the calculation of pro forma market share. First Banks, Inc., 76 Federal Reserve Bulletin 669 (1990).

and the increase in this level as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Merger Guidelines (“DOJ Guidelines”),¹³ and other characteristics of the markets.

Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in the Los Angeles banking market. Popular would operate the 39th largest depository institution in the market, controlling deposits of \$1.4 billion, which represent less than 1 percent of market deposits. After consummation of the proposal, the HHI for the Los Angeles banking market would continue to be moderately concentrated at 1081, and numerous competitors would remain in the market.

The Department of Justice has reviewed the proposal and advised the Board that consummation is not likely to have a significantly adverse effect on competition in the Los Angeles banking market. The other federal banking agencies also have been afforded an opportunity to comment on the proposal and have not objected.

Based on these and all other 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 banking resources in the Los Angeles banking market or any other relevant banking market and that competitive considerations are consistent with approval.

¹³ Under the DOJ Guidelines, 49 Federal Register 26,823 (1984), a market is considered moderately concentrated if the post-merger HHI is between 1000 and 1800. The Department of Justice has informed the Board that a bank merger or acquisition generally will 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. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial institutions.

Financial and Managerial Resources and Future Prospects

In reviewing the proposal under section 4 of the BHC Act, the Bank Merger Act, and the FRA, the Board has carefully considered the financial and managerial resources and future prospects of Popular and Quaker City and their respective subsidiaries. The Board also has reviewed the effect the transaction would have on those resources in light of all the facts of record. The Board's review of these factors has considered, among other things, confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations involved, publicly reported and other financial information provided by Popular and Quaker City, and public comments. In addition, the Board has consulted with the relevant supervisory agencies, including the Office of Thrift Supervision ("OTS").

Popular proposes to acquire Quaker City primarily by issuing trust preferred securities and debt securities. Popular, Banco Popular, and its other subsidiary depository institutions are well capitalized and would remain so on consummation of the proposal.

The Board also has considered the managerial resources of Popular and Quaker City, particularly the supervisory experience and assessments of management by the organizations' primary federal supervisors and their records of compliance with applicable banking and thrift laws. In addition, the Board has carefully reviewed the examination records of Popular and its subsidiary depository institutions, including assessments of their risk-management systems and other policies. The Board also has considered Popular's plans for implementing the proposed acquisition, including its available managerial resources, and Popular's record of successfully integrating recently acquired institutions into its existing operations.

Based on these and all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved as well as their future prospects are consistent with approval under section 4 of the BHC Act, the Bank Merger Act, and the FRA.

Convenience and Needs and CRA Performance Considerations

In acting on this proposal under the Bank Merger Act, the Board also must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of performance of the relevant insured depository institutions under the CRA. In addition, the Board must review the records of performance under the CRA of the relevant insured depository institutions when acting on a notice under section 4 of the BHC Act to acquire an insured savings association. The CRA requires the Board to assess each institution's record of meeting the credit needs of its entire community, including low- and moderate-income (“LMI”) neighborhoods, consistent with the institution’s safe and sound operation, and to take this record into account in evaluating a proposal to acquire an insured depository institution.¹⁴

The Board has considered carefully the CRA performance records of the subsidiary insured depository institutions of Popular and Quaker City in light of all the facts of record, including public comments on the proposal.

Three commenters opposed the proposal. One commenter noted that Banco Popular received a rating of “low satisfactory” under the lending test at its most recent CRA performance evaluation. Commenters expressed concern that the acquisition would negatively affect Quaker City Bank, which received an “outstanding” rating at its most recent CRA performance evaluation. All three commenters asserted that Banco Popular had not served the needs of Hispanics in

¹⁴ 12 U.S.C. § 2903.

LMI communities in its California assessment areas because the bank had not adequately promoted its remittance program for international money transfers or the use of the Matricula Consular, an identity card for Mexican nationals living outside Mexico, as an acceptable form of identification for opening a bank account.¹⁵ Commenters also expressed concerns about Popular Cash Express (“PCE”), a nonbanking subsidiary of Popular that provides check-cashing services. Specifically, commenters alleged that Banco Popular relies on PCE’s check-cashing outlets to provide “second-tier” financial products to the “unbanked” Hispanic population in California, while it uses Banco Popular’s full-service branches to serve the needs of higher income consumers in its California assessment areas.¹⁶

Popular has indicated that on consummation of the proposal, it plans to evaluate both banks’ CRA compliance measures and integrate some of Quaker City Bank’s community-related policies and programs. Banco Popular expects to maintain Quaker City Bank’s community-related policies and programs and its strong record of multifamily home lending. Banco Popular also plans to continue

¹⁵ Popular stated that Banco Popular accepts the Matricula Consular identification card as valid identification for a variety of services offered by the bank. Customers may use the identification card to open a Banco Popular “Acceso Checking” account, which has no minimum balance requirement and offers free check-writing privileges and ATM transactions, or an “Acceso Savings” account, which offers a low-minimum-balance requirement and free ATM transactions.

¹⁶ PCE operates 77 offices in California, with 74 of those offices in LMI census tracts. PCE primarily cashes checks, transmits money, and sells money orders. PCE does not engage in “payday lending.” Neither the CRA nor other law requires a banking organization to offer its retail banking products and services through its nonbanking subsidiaries. The Board notes that 64 percent of Banco Popular’s branches in its California assessment areas are in LMI census tracts (11 of its 17 branches), and Banco Popular would operate three additional branches in

to operate Quaker City Bank's branches in retail stores that serve many LMI residents.

A. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of the evaluations by the appropriate federal supervisors of the CRA performance records 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.¹⁷ At its most recent CRA evaluation by the Federal Reserve Bank of New York, Banco Popular received a "satisfactory" rating, as of October 28, 2002 ("2002 Evaluation").¹⁸ Quaker City Bank received an "outstanding" rating at its most recent CRA performance evaluation by the OTS, as of September 13, 2003.

B. CRA Performance of Banco Popular

Although Banco Popular received "low satisfactory" rating under the lending test, the bank received an overall "satisfactory" CRA performance rating. Moreover, the bank received "outstanding" ratings under the investment and service

LMI areas on consummation of the proposal.

¹⁷ See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

¹⁸ Popular operates two additional subsidiary banks, Banco Popular de Puerto Rico, San Juan, Puerto Rico ("BPPR"), and Banco Popular, National Association, Orlando, Florida ("BPNA"). BPPR, Popular's largest subsidiary bank, received an "outstanding" CRA performance rating from the Federal Reserve Bank of New York, as of June 3, 2003. BPNA received a "satisfactory" rating for CRA performance from the Office of the Comptroller of the Currency, as of July 7, 2003.

tests, based on its nationwide and California-based activities.¹⁹ Examiners reported that the Banco Popular's total volume of housing-related and small business loans demonstrated adequate responsiveness to the credit needs in its California and other assessment areas during the evaluation period.²⁰ They also reported that the bank's overall distribution of loans among individuals of different income levels and businesses of different sizes by revenue was good. Examiners commended Banco Popular's overall levels of both community development lending and qualified investments in its California and other assessment areas. In addition, examiners found that, overall, Banco Popular's retail delivery systems were readily accessible to geographies and individuals of different income levels in all the bank's assessment areas.

In its California assessment areas, examiners determined that Banco Popular demonstrated adequate responsiveness to housing-related credit needs and that the bank's overall geographic distribution of housing-related loans reflected excellent loan penetration in LMI geographies. Examiners reported that, compared with the level of owner-occupied housing units in LMI areas of Los Angeles, the bank's overall distribution of home purchase and refinance loans across

¹⁹ Examiners evaluated Banco Popular's CRA performance in its nine assessment areas in New York, New Jersey, Illinois, California, Florida, and Texas. The bank's California assessment areas included the San Diego Metropolitan Statistical Area ("MSA") and the Los-Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area ("Los Angeles CMSA"). The Los Angeles CMSA contained 94 percent of the bank's branches and 93 percent of its deposits in the California assessment areas.

²⁰ The evaluation period was January 1, 2000, through October 28, 2002. Loan products reviewed included home purchase, home refinance, home improvement, multifamily, small business loans, and other loans qualifying as community development lending.

geographies of different income levels was excellent.²¹

Banco Popular has provided a substantial proportion of its housing-related loans to minority individuals. Examiners found that a majority of the number and dollar amount of Home Mortgage Disclosure Act (“HMDA”)²² loans that Banco Popular made in California were extended to minority borrowers, including Hispanics. In 2003, approximately 70 percent of the number and 67 percent of the dollar amount of Banco Popular’s total HMDA loans in California were made to minority borrowers, and approximately 51 percent of the number and 57 percent of the dollar amount of the bank’s total HMDA loans in California were made to Hispanic borrowers. The percentages of Banco Popular’s HMDA loans to minority borrowers, particularly Hispanics, were even higher in the Los Angeles Primary Metropolitan Statistical Area (“PMSA”). During 2003, approximately 70 percent of the total number and dollar amount of the bank’s HMDA loans in the Los Angeles PMSA were extended to minority borrowers, and approximately 60 percent of the dollar amount of its total HMDA loans was to Hispanic borrowers.²³

²¹ One commenter maintained that Banco Popular’s lending performance for home refinancings for low-income borrowers was described in the 2002 Evaluation as “weak.” However, examiners qualified this description by stating that the bank’s lending was adequate given the large disparity between incomes and housing prices in the Los Angeles area and that the aggregate performance of Banco Popular’s competitors also was weak. Examiners also noted that the low level of refinancings to low-income borrowers generally reflected the low level of homeownership by low-income families.

²² 12 U.S.C. § 2801 et seq.

²³ In 2003, Banco Popular made 2,863 HMDA loans totaling approximately \$303 million nationwide. Eighty-three percent of the number and approximately 70 percent of the dollar amount of the bank’s HMDA loans were to minority borrowers, with the highest percentage of those loans to Hispanic borrowers.

With respect to small loans to businesses,²⁴ examiners reported that the bank's distribution of such loans to businesses of different sizes in the bank's Los Angeles CMSA was adequate when compared with the number of businesses with gross annual revenues of \$1 million or less and the performance of the aggregate of lenders in the market ("aggregate lenders"). For the year 2003, more than 50 percent of the number and dollar amount of Banco Popular's total loans in California were to small businesses.²⁵ In addition, examiners noted that the bank's overall geographic distribution of small loans to businesses in LMI geographies in the Los Angeles PMSA was excellent and exceeded the aggregate lenders' performance in those geographies. In 2003, Banco Popular increased its total amount of small loans to businesses in the Los Angeles area by \$26 million to a total of approximately \$98 million.²⁶

Examiners also characterized the bank's community development lending in California as excellent, with more than \$11 million in community development loans extended during the examination period in response to assessment-area credit needs. Examples of Banco Popular's community

²⁴ Small loans to businesses are loans that are originated in amounts of \$1 million or less and are either secured by nonfarm, nonresidential properties or are classified as commercial and industrial loans.

²⁵ A small business is a business with gross annual revenues of \$1 million or less.

²⁶ Nationwide, Banco Popular increased the dollar value of its small loans to businesses approximately 15 percent, from approximately \$310 million to approximately \$356 million. Banco Popular represented that it is a nationwide leader in providing Small Business Administration ("SBA") loans and is a leading participant in the SBA 504 Program in California, which provides long-term, fixed-rate loans with low down payments to "certified development companies." Popular also participates in the SBA's Preferred Lenders Program, which simplifies loan closing and administration for borrowers.

development loans included a \$3.4 million loan to a small business in a low-income census tract in Los Angeles to provide 90 jobs for LMI individuals and a \$1.5 million construction loan for 12 units of affordable housing in the City of Commerce as part of a program to improve the community's residential housing.

In the bank's California assessment area, examiners noted that Banco Popular had an excellent level of qualified investments and grants that exhibited strong responsiveness to credit and community development needs. During the evaluation period, the bank's qualified investments in California totaled \$1.3 million. Examiners reported that Banco Popular's investments showed excellent responsiveness to the most pressing credit and community development needs in the bank's assessment areas, which included substantial investments directed to agencies that support affordable housing development. Examiners also favorably noted that more than 25 percent of Banco Popular's lending activity was directed to economic development to help provide small business credit, identified as an important need in the California assessment areas.

With respect to retail services, examiners reported that delivery systems were readily accessible to geographies and individuals of different income levels in the bank's Los Angeles assessment area. In addition, examiners noted favorably that 11 of Banco Popular's 17 branches were in LMI geographies. Examiners determined that the bank's record of opening and closing branches in California improved the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. In addition, they noted that the bank opened two branches in moderate-income census tracts and closed two branches in a non-LMI area during the evaluation period. Examiners also found that the bank's branch products and services were consistent across all portions of the bank's assessment areas, including LMI geographies and to LMI individuals.

Banco Popular reported that 67 percent of its branches nationwide and 83 percent of its branches in California are in LMI census tracts. Examiners found that Banco Popular provided a relatively high level of community development services in the Los Angeles assessment area. Banco Popular stated that it promotes and markets all its banking services in Spanish and English.

C. CRA Performance of Quaker City Bank

As previously noted, Quaker City Bank received an overall “outstanding” rating for performance under the CRA.²⁷ Examiners characterized the thrift’s responsiveness to the credit needs of “highly disadvantaged” persons as excellent and commended the thrift for its flexible and innovative loan products.

Examiners rated the thrift’s performance under the lending test as “outstanding” based on its excellent level of HMDA-reportable lending in LMI geographies, which significantly exceeded the percentages for the aggregate lenders, and its record of housing-related lending to small businesses. Examiners also praised Quaker City Bank for its loan distribution, noting that the thrift’s market share for HMDA-reportable loans in LMI census tracts was double its total market share for such lending in its assessment area. In addition, examiners characterized Quaker City Bank as having a good record of HMDA loan distribution among residential borrowers of different income levels.

Quaker City Bank’s investment test performance was rated “high satisfactory.” The institution’s qualified community development investments

²⁷ This review period covered January 1, 1999, through March 31, 2001. Loan products reviewed include home mortgage loans, small business loans, and nonresidential mortgage loans. During the review period, the principal lending activity of the institution was the origination or purchase of residential and commercial mortgage loans, with the majority of the institution’s loan portfolio secured by real estate. Quaker City delineated its assessment area as Los Angeles, Orange, and Riverside Counties.

totaled \$1.4 million and included financing for affordable housing for LMI individuals and grants to a number of organizations that provide community development services in the bank's assessment area. In particular, examiners commended the thrift for its grant to fund housing for the developmentally handicapped in Whittier.

Examiners rated the institution's performance under the service test as "outstanding." The institution expanded its branch network by seven during the review period and offered extended hours in its new in-store Wal-Mart branches. Examiners noted that the thrift tailored its services to the customer base of the institution's combined assessment area by providing a "totally free" checking account. In addition, Quaker City Bank's employees provided numerous community development services in the assessment area, such as offering affordable housing workshops for senior citizens and home-buyer seminars for other community members in its assessment area.

D. Conclusion on Convenience and Needs and CRA Performance Considerations

The Board has carefully considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Popular, public comment on the proposal, and confidential supervisory information. The Board notes that the proposal would expand the availability of banking products to the customers of Banco Popular and Quaker City, drawing on Banco Popular's focus on commercial lending and Quaker City Bank's focus on mortgage lending. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor and the CRA performance records of the relevant depository institutions are consistent with approval.²⁸

²⁸ One commenter also requested that the Board condition its approval on

Public Benefits

As part of its evaluation of the public interest factors under section 4 of the BHC Act, the Board also has reviewed carefully the other public benefits and possible adverse effects of the proposal. The record indicates that consummation of the proposal would result in benefits to consumers and businesses currently served by Quaker City Bank by expanding the number of available branches and providing customers with greater access to the expertise of Banco Popular in such areas as commercial lending and international transactions. Based on the foregoing and all the facts of record, the Board has determined that consummation of the proposal can reasonably be expected to produce public benefits that would outweigh any possible adverse effects under the standard of review set forth in section 4(j)(2) of the BHC Act.

Other Considerations

As previously noted, Banco Popular also has applied under section 9

Banco Popular's committing to provide a definitive plan that outlines Popular's goals for CRA performance, philanthropic contributions, and contracting with minority suppliers. The Board focuses on the CRA performance record of an applicant and the programs that an applicant has in place to serve the credit needs of its assessment areas at the time the Board reviews a proposal under the convenience and needs factor. See, e.g., J.P. Morgan Chase & Co., 90 Federal Reserve Bulletin ___ (June 14, 2004). The CRA performance records of Banco Popular and Quaker City Bank and their current programs for serving the credit needs of their communities are consistent with approval and do not warrant any conditions related to CRA performance in the future. In addition, the Board notes that neither the CRA nor the agencies' implementing rules require that financial institutions engage in any type of philanthropy. The Board also notes that concerns related to an institution's contracting with minority suppliers for products and services are outside the limited statutory factors that the Board is authorized to consider when reviewing an application under the BHC Act. See e.g., Bank of America Corporation, 90 Federal Reserve Bulletin 217, 223 n.31 (2004); see also Western Bancshares, Inc. v. Board of Governors, 480 F.2d 749 (10th Cir. 1973).

of the FRA to establish branches at the locations listed in the Appendix. The Board has considered the factors it is required to consider when reviewing an application under section 9 of the FRA and, for the reasons discussed in this order, finds those factors to be consistent with approval. The Board has also concluded that the factors it must review under section 5(d)(3) of the FDI Act are consistent with approval.²⁹

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice and applications should be, and hereby are, approved.³⁰

²⁹ The record in this case shows that (1) the transaction would not result in the transfer of any federally insured depository institution's federal deposit insurance from one federal deposit insurance fund to another; (2) Popular and Banco Popular currently meet, and on consummation of the proposed transaction would continue to meet, all applicable capital standards; and (3) the proposed transaction would comply with the interstate banking provisions of the BHC Act if Quaker City Bank were a state bank that Popular was applying to acquire. See 12 U.S.C. § 1815(d)(3).

³⁰ Several commenters requested that the Board hold a public meeting or hearing on the proposal. Neither the Bank Merger Act nor the BHC Act requires the Board to hold a public hearing or meeting on an application. Under its regulations, the Board may, in its discretion, hold a public meeting or hearing on an application. See 12 C.F.R. 262.3(i). The Board's regulations provide for a hearing on a notice to acquire nonbanking companies if there are disputed issues of material fact that cannot be resolved in some other matter. 12 C.F.R. 225.25(a)(2). The Board has considered carefully the commenters' requests in light of all the facts of record. The Board has accumulated a substantial record in this case that includes examination information, supervisory information, public records, and information submitted by Popular. The public has had ample opportunity to submit comments on the proposal and, in fact, commenters have submitted written comments that the Board has considered carefully in acting on the proposal. The commenters' requests fail to demonstrate why written comments do not present their views adequately. The commenters' requests also fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting

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, the Bank Merger Act, and other applicable statutes. The Board's approval is specifically conditioned on compliance by Popular with the conditions imposed in this order, including compliance with state law, and the commitments made to the Board in connection with the applications process. The Board's approval also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with and to prevent evasion of the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

The merger shall not be consummated before the fifteenth calendar day after the effective date of this order, and no part of the proposal may be consummated later than three months after the effective date of this order, unless

or hearing. 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.

such period is extended for good cause by the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors,³¹ effective August 5, 2004.

(signed)

Robert deV. Frierson
Deputy Secretary of the Board

³¹ Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.

APPENDIX

Quaker City Bank's Branches in California to be acquired by Banco Popular

Anaheim

8160 East Santa Ana Canyon Road South

Lancaster

1731 East Avenue J

Brea

220 South State College Boulevard

Long Beach

151 East 5th Street

Chino

3943 Grand Avenue

Murrieta

41200 Murrieta Hot Springs Road

Corona

479 Mc Kinley Street
1290 East Ontario Avenue

Northridge

19821 Rinaldi Street

Foothill Ranch

26502 Towne Centre Drive

Palmdale

37140 47th Street East

Fullerton

1701 North Euclid Street

Pico Rivera

8500 Washington Boulevard

Hacienda Heights

3160 South Colima Road

Placentia

870 North Rose Drive

Huntington Beach

8230 Talbert Avenue

Rowland Heights

18220 Colima Road

La Habra

401 East Whittier Boulevard
1201 West Imperial Highway

San Marcos

732 Center Drive

La Mirada

12333 South La Mirada Boulevard

Temecula

32225 Highway 79 South Street

La Quinta

79-295 Highway 111

Whittier

7021 Greenleaf Avenue
7355 Greenleaf Avenue
13120 Philadelphia Street
15175 Whittier Boulevard

Lakewood

2770 Carson Street