

FEDERAL RESERVE SYSTEM

Investors Bancorp, MHC
Short Hills, New Jersey

Investors Bancorp, Inc.
Short Hills, New Jersey

Order Approving the Acquisition of a Mutual Savings and Loan Holding Company

Investors Bancorp, MHC (“Investors MHC”), and Investors Bancorp, Inc. (“Investors Bancorp,” and jointly with Investors MHC, “Investors”), both of Short Hills, New Jersey, have requested the Board’s approval under section 4(c)(8) and 4(j) of the Bank Holding Company Act of 1956, as amended (“BHC Act”), and section 225.4 of the Board’s Regulation Y¹ to acquire Gateway Community Financial, MHC (“Gateway MHC”) and its wholly-owned subsidiary, Gateway Community Financial Corporation (“GCF,” and jointly with Gateway MHC, “Gateway”), and thereby indirectly acquire Gateway’s subsidiary savings association, GCF Bank, all of Sewell, New Jersey. Immediately following the proposed acquisition, GCF Bank would be merged into Investors Bancorp’s subsidiary bank, Investors Bank, Short Hills, New Jersey.²

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (78 Federal Register 35271 (2013)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4 of the BHC Act.

Investors, with consolidated assets of approximately \$15.4 billion, is the 77th largest insured depository organization in the United States, controlling approximately \$10 billion in consolidated deposits. Investors Bank operates in New

¹ 12 U.S.C. §§ 1843(c)(8) and (j); 12 CFR 225.24.

² The merger of GCF Bank into Investors Bank is subject to the approval of the Federal Deposit Insurance Corporation (“FDIC”) under the Federal Deposit Insurance Act. The FDIC approved the merger on December 12, 2013.

Jersey and New York. Investors Bank is the 10th largest depository institution in New Jersey, controlling deposits of approximately \$8.7 billion, which represent 3 percent of the total deposits of insured depository institutions in the state.³ Investors Bank is the 53rd largest insured depository institution in New York, controlling deposits of approximately \$1.3 billion, which represent less than 1 percent of the total deposits of insured depository institutions in the state.

GCF, with total consolidated assets of \$301 million, controls GCF Bank, which operates in New Jersey. GCF Bank is the 77th largest insured depository institution in New Jersey, controlling deposits of approximately \$272 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, Investors would remain the 77th largest depository organization in the United States, controlling consolidated assets of approximately \$15.7 billion, which represent less than 1 percent of the total amount of assets of insured depository institutions in the United States. In New Jersey, Investors Bank would remain the seventh largest insured depository institution, controlling deposits of approximately \$9 billion, which would represent 3 percent of the total deposits of insured depository institutions in the state.

Factors Governing Board Review of the Transaction

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.⁴ The Board requires that savings associations acquired by bank holding companies or financial holding companies conform their direct and indirect activities to those permissible for bank holding companies under

³ Deposit data are as of June 30, 2013. Asset data are as of September 30, 2013. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁴ 12 CFR 225.28(b)(4)(ii).

section 4(c)(8) of the BHC Act.⁵ Investors has committed that Gateway and the nonbanking subsidiary that Investors proposes to acquire engage in activities that will conform to those permissible under section 4 of the BHC Act and Regulation Y.

Section 4(j)(2)(A) of the BHC Act requires the Board to consider whether the proposed acquisition of Gateway “can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or risk to the stability of the United States banking or financial system.”⁶ As part of its evaluation of these factors, the Board reviews the financial and managerial resources of the companies involved, the effect of the proposal on competition in the relevant markets, the risk to the stability of the United States banking or financial system, and the public benefits of the proposal.⁷ In acting on a notice to acquire a savings association, the Board reviews the records of performance of the relevant insured depository institutions under the Community Reinvestment Act (“CRA”). In cases involving the interstate acquisition of an insured depository institution under section 4(c)(8) of the BHC Act, the Board must also consider the concentration of deposits on a nationwide basis.⁸

⁵ A savings association operated by a bank holding company may engage only in activities that are permissible for bank holding companies under section 4(c)(8) of the BHC Act. 12 CFR 225.28(b)(4). In this instance, Investors will immediately merge GCF Bank into Investors Bank and will not operate the savings association independently.

⁶ 12 U.S.C. § 1843(j)(2)(A). Section 604(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1601 (2010), (“Dodd-Frank Act”) added the “risk to the stability of the United States banking or financial system” to the list of possible adverse effects.

⁷ See 12 CFR 225.26; see, e.g., Bank of America Corporation/Countrywide, 94 Federal Reserve Bulletin C81 (2008); Wachovia Corporation, 92 Federal Reserve Bulletin C138 (2006); and BancOne Corporation, 83 Federal Reserve Bulletin 602 (1997).

⁸ The Dodd-Frank Act amended section 4 of the BHC Act to provide that, in general, the Board may not approve an application by a bank holding company to acquire an insured

Competitive Considerations

As part of the Board's consideration of the factors under section 4 of the BHC Act, the Board has reviewed the competitive effects of Investors' acquisition of Gateway, in light of all the facts of record. Investors and Gateway compete directly in the Philadelphia, Pennsylvania banking market.⁹ The Board has considered the competitive effects of the proposal in this banking market in light of all the facts of record. In particular, the Board has considered the number of competitors that would remain in the banking market, the relative shares of total deposits in insured depository institutions in the market ("market deposits") controlled by Investors and Gateway,¹⁰ the concentration levels of market deposits and the increase in those levels as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Bank Merger

depository institution if the home state of the target insured depository institution is a state other than the home state of the bank holding company and the applicant controls or would control more than 10 percent of the total amount of deposits of insured depository institutions in the United States. Dodd-Frank Act § 623(b), codified at 12 U.S.C. § 1843(i)(8). For purposes of the BHC Act, the home state of both Investors and Gateway is New Jersey and, therefore, section 4(i)(8) of the BHC Act does not apply to this transaction. Also, as noted, consummation of the proposal would result in Investors controlling less than 1 percent of the total amount of deposits of U.S. insured depository institutions.

⁹ The Philadelphia, Pennsylvania banking market is defined as Bucks, Chester, Delaware, Montgomery, and Philadelphia counties, all in Pennsylvania, and Burlington, Camden, Cumberland, Gloucester, and Salem counties, all in New Jersey (the "Philadelphia banking market").

¹⁰ Deposit and market share data are as of June 30, 2012, 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 of 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).

Competitive Review Guidelines (“DOJ Bank Merger Guidelines”),¹¹ and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds of the DOJ Bank Merger Guidelines in the Philadelphia banking market. On consummation of the proposal, the Philadelphia banking market would remain moderately concentrated, as measured by the HHI, and numerous competitors would remain.¹²

In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the banking market in which Investors and Gateway compete directly or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations weigh in favor of approval.

¹¹ Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010 (see Press Release, Department of Justice (August 19, 2010), www.justice.gov/opa/pr/2010/August/10-at-938.html), the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified.

¹² Investors operates the 28th largest depository institution in the Philadelphia banking market, controlling deposits of approximately \$462 million, which represent less than 1 percent of market deposits. GCF operates the 62nd largest depository institution in the market, controlling deposits of approximately \$272 million, which represent less than 1 percent of market deposits. On consummation, Investors Bank would operate the 19th largest depository institution in the market, controlling weighted deposits of approximately \$734 million, which represent less than 1 percent of market deposits. The HHI would decrease by 2 points to 1034.

Financial, Managerial, and Other Supervisory Considerations

The Board considered the financial condition of the organizations involved on both a parent-only and a consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, and 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 the proposed integration of the operations of the institutions. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important.

The Board has considered the financial factors of the proposal. Investors and Investors Bank are well capitalized and would remain so on consummation of the proposed acquisition. The proposed transaction involves two holding company mergers. In the first merger, Gateway MHC would merge with and into Investors MHC. In the second merger, GCF, Gateway MHC's wholly-owned subsidiary, would merge with and into Investors Bancorp. After the merger of GCF into Investors Bancorp, Investors Bancorp will issue a number of shares of common stock to Investors MHC equal in value to the pro forma market value of Gateway MHC and its subsidiaries, as determined by an independent appraiser, for the benefit of Gateway MHC's depositors. Investors is in satisfactory condition, and the asset quality, earnings, and liquidity of Investors Bank and GCF Bank weigh in favor of approval. Based on its review of the record, the Board finds that the organizations have sufficient financial resources to effect the proposal.

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 Investors, Investors Bank, Gateway, and GCF Bank, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other

relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking and anti-money-laundering laws. The Board also has considered Investors' plans for implementing the proposal.

Investors and Investors Bank are considered to be managed well. Investors' existing risk-management program and its directorate and senior management weigh in favor of approval. The directors and senior executive officers of Investors have substantial knowledge and experience in the banking and financial services sectors.¹³ There will be no changes in the senior management of Investors following consummation of the proposed transaction.

On December 2, 2013, the Board approved Investors MHC's proposal to acquire two other insured depository institutions in the New Jersey and New York markets. Also, in 2012, Investors successfully integrated the banking operations of two insured depository institutions located in the New York, New York, market into its operations. Investors is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. Investors would implement its risk-management policies, procedures, and controls at the combined organization. In addition, Investors' management has the experience and resources to ensure that the combined organization operates in a safe and sound manner, and Investors is proposing to integrate GCF Bank's existing management and personnel in a manner that augments Investors Bank's management.

Investors' integration record, managerial and operational resources, and plans for operating the combined institution after consummation provide a reasonable basis to conclude that managerial factors weigh in favor of approval. Based on all the facts of record, the Board has concluded that considerations relating to the financial and

¹³ On consummation, Investors' board of directors will include three additional directors from GCF's current board of directors. In addition, Investors Bank will form an advisory board consisting of all of the current GCF Bank directors that will advise Investors Bank on the GCF Bank market areas, deposit and lending activities, and customer relationships.

managerial resources and future prospects of the organizations involved in the proposal on balance weigh in favor of approval, as do the other supervisory factors.

Records of Performance Under the CRA and Fair Lending Laws

The CRA¹⁴ 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.¹⁵ The CRA requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the convenience and needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.¹⁶

The Board has considered all the facts of record, including reports of examination of the CRA performance of Investors Bank and GCF Bank, data reported by Investors Bank and GCF Bank under the Home Mortgage Disclosure Act ("HMDA"),¹⁷ other information provided by Investors, confidential supervisory information, and the public comment received on the proposal. The commenter objected to the proposal on the basis of the mortgage lending records of Investors Bank and GCF Bank as reflected in 2011 HMDA data.

A. CRA Performance Evaluations

As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.¹⁸ The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the

¹⁴ 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

¹⁵ 12 U.S.C. § 2901(b).

¹⁶ 12 U.S.C. § 2903.

¹⁷ 12 U.S.C. § 2801 et seq.

¹⁸ See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (2010).

institution's record of meeting the credit needs of its entire community, including LMI neighborhoods.¹⁹ 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.

CRA Performance of Investors Bank.

Investors Bank was assigned a "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, in August 2011 ("Investors Evaluation"). Examiners concluded that Investors Bank demonstrated an adequate responsiveness to the credit needs of its assessment areas.²⁰ Investors Bank received "high satisfactory" ratings on the Lending Test, the Investment Test, and the Service Test.²¹ The FDIC assigned Investors Bank a rating of "high satisfactory" for the Lending Test, noting that the bank's lending activity was good. Examiners found that Investors Bank's geographic distribution of loans was adequate, emphasizing the bank's concentration within the New York/New Jersey Multistate area and in residential real estate lending. Examiners also determined that Investors Bank had a good record of lending inside its assessment areas by number and dollar amount of loans. Examiners found that Investors Bank's community development lending performance was excellent. Examiners noted that Investors Bank was a leader in making community development loans, originating 32 development loans totaling \$104.5 million for the period from June 2008 through August 2011. Furthermore, examiners highlighted Investors Bank's issuance of community

¹⁹ 12 U.S.C. § 2906.

²⁰ Examiners put the most weight on Investors Bank's 1-4 family lending performance in the New York/New Jersey Multistate assessment area because of Investors Bank's significant presence in that area.

²¹ The evaluation period for the Lending Test in the Investors Evaluation was January 1, 2009 to June 30, 2011, except for community development loans, for which the evaluation period was from June 23, 2008 through August 9, 2011. The evaluation period for the Investment and Service Tests was from June 23, 2008 through August 9, 2011.

development loans in the New York/New Jersey Multistate Metropolitan assessment area, which had the greatest weight of all areas in the analysis. Examiners also noted that Investors Bank engaged in innovative lending, where the bank offered down-payment assistance forgivable loans and down-payment assistance grants below market interest rate, without closing costs and with extended loan terms.

Concerning the Investment Test, examiners highlighted Investors Bank's significant level of qualified community development investments and grants in its assessment areas. In particular, examiners highlighted Investors Bank's purchase of mortgage-backed securities that consisted of underlying mortgage loans originated to LMI borrowers, as well as an equity investment by Investors Bank to establish the Investors Bank Charitable Foundation, which supports charitable causes and community development activities through grants and donations to cultural, educational, and social service organizations.

For the Service Test, examiners noted retail banking services were accessible to essentially all segments of Investors Bank's assessment areas, including LMI geographies. Examiners further emphasized that Investors Bank provided a relatively high level of community development services that were responsive to a variety of community development needs.

CRA Performance of GCF Bank.

The Office of the Comptroller of the Currency ("OCC") assigned GCF Bank an overall CRA rating of "satisfactory" with ratings of "satisfactory" for the Lending Test and "satisfactory" for the Community Development Test at its most recent CRA examination on January 2, 2013.²² With respect to the Lending Test, examiners noted that the bank's loan-to-deposit ratio was reasonable, and a majority of home mortgage loans, GCF Bank's primary loan product, were made within its assessment

²² The evaluation periods were from January 1, 2010 through December 31, 2011 for the Lending Test and from November 23, 2009 through January 2, 2013 for the Community Development Test.

area. The examiners concluded that GCF Bank had reasonable penetration among borrowers of different income levels. Because there were no low-income tracts within the assessment area and only six moderate-income tracts, geographical distribution of home mortgage loans was not heavily weighted by the examiners. The examiners did note, however, that they did not detect any conspicuous or unexplained gaps in the bank's lending patterns.

Concerning the Community Development Test, examiners found that GCF Bank's level of community development activities was adequate given its size, capacity, and the community development needs and opportunities of its assessment areas. Examiners noted that, during the evaluation period, GCF Bank provided \$630,000 in community development loans, donated \$13,651 to community development organizations, and purchased \$2.4 million in CRA-qualified investments to help meet the community development needs of its assessment area. In addition, examiners found that GCF Bank personnel provided leadership and/or financial expertise to five community development organizations serving GCF Bank's assessment areas.

Investors Bank's Efforts Since the 2011 CRA Evaluation.

According to Investors, since the Investors Evaluation, Investors Bank has increased its investment in CRA-qualified FNMA Mortgage Backed Securities, serving the credit needs of LMI borrowers within its assessment areas. Investors Bank currently plans to invest 1 percent of its assets in qualified community development investments and grants and has increased its percentage of assets invested from \$57 million (0.59 percent of its assets) as of March 31, 2011, to \$132 million (1.04 percent of its assets) as of February 28, 2013.²³ In addition, Investors stated that, in 2012, Investors Bank provided 186 small business loans totaling almost \$54 million in its assessment areas.

²³ Investors represents that Investors Bank has invested over 1 percent of its assets in CRA-qualified FNMA Mortgage Backed Securities each quarter from June 30, 2012 through February 28, 2013.

Investors also reported that, in 2012, Investors Bank provided 152 community development loans totaling over \$435 million in its assessment areas.

Moreover, the FDIC reviewed Investors Bank's CRA performance in its review of the related Bank Merger Act application and found no inconsistencies with the purposes of the CRA.

B. Fair Lending Record, HMDA Analysis, and Public Comment on the Application

The Board has also considered the records of Investors Bank and GCF Bank in complying with fair lending and other consumer protection laws. This includes a review of their performance as detailed in the Investors, Gateway, and GCF Bank Evaluations. This also includes an evaluation of Investors Bank's fair lending policies and procedures and consideration of other agencies' views on Investors Bank's record of performance under fair lending laws. The Board also has taken into account the comment on the application.

Investors Bank's Fair Lending Program

The Board considered information about Investors Bank's compliance and risk-management systems and the steps it has taken to ensure compliance with fair lending laws. Investors Bank has instituted policies and procedures to help ensure compliance with all fair lending and other consumer protection laws and regulations. Given its recent growth through acquisitions, Investors Bank has recognized the need to ensure that its policies and procedures keep pace to ensure continued effective compliance, and it has increased its compliance staff since January 2013 from two to five people, which include a Director of Compliance, two Compliance Officers, and two Compliance Analysts.

Investors Bank recently underwent a fair lending risk assessment to analyze potential vulnerabilities in loan processes and controls. Investors Bank's legal and compliance risk-management program includes (1) procedures to evaluate new laws and regulations to determine applicability to Investors' mortgage operations, (2) ongoing fair lending training for lending-related personnel, (3) consumer compliance training for the Board of Directors after changes in law or in Investors Bank's product line, (4)

compliance reviews for all fair lending complaints, (5) a second review and second signature for all loan applications initially recommended for denial, and (6) a Chief Lending Officer review and Board of Directors ratification of any exceptions to the loan policy guidelines. Investors Bank's risk-management systems and policies and procedures for assuring compliance with fair lending laws will be implemented at the combined organization.

HMDA Analysis and Public Comment on the Application

The commenter cited 2011 HMDA data and alleged that Investors Bank made fewer conventional home purchase loans to African American applicants than to white applicants and fewer refinance loans to African American and Hispanic applicants than to white applicants in the New York and Long Island Metropolitan Statistical Areas ("MSAs"). The commenter also asserted that, in the New York MSA, Investors Bank disproportionately denied applications by Hispanic applicants for conventional home purchase loans and refinance loans. In addition, the commenter alleged that GCF Bank made fewer conventional home purchase, refinance, and home improvement loans to African American and Hispanic applicants than to white applicants in the Camden, New Jersey MSA.

The Board has reviewed HMDA data from 2011 reported by Investors Bank and GCF Bank, the most recent publicly available data. In response to the comment, the Board analyzed data related to all HMDA-reportable loans to develop a view of overall lending patterns, as well as the subset of that data related specifically to conventional home purchase and refinance loans, which were the subjects of the public comment received on the proposal. Within those data sets, the Board focused its review on data related to loans made or denied to borrowers of the races and ethnicities highlighted by the public comment, *i.e.*, African Americans and Hispanics.

With respect to Investors Bank and GCF Bank, the Board confirmed the levels of conventional home purchase loans and the denial disparity ratios associated with conventional home purchase and refinance loans noted by the commenter.

The Board is concerned when HMDA data for an institution indicate disparities in lending and believes that all lending institutions 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 ethnicity. Although the HMDA data may reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, HMDA data alone do not provide a sufficient basis on which to conclude whether Investors Bank or GCF Bank have excluded or denied credit to any group on a prohibited basis.²⁴

Because of the limitations of HMDA data, the Board also has considered other information, including examination reports that provide on-site evaluations of compliance by Investors Bank and GCF Bank with fair lending laws and regulations. The Board also has consulted with the OCC, the FDIC, and the Consumer Financial Protection Bureau (“CFPB”) about this proposal.

With respect to the specific HMDA data on conventional home purchase and refinance mortgages cited by the commenter, Investors provided information on Investors Bank’s nondiscriminatory reasons for individual lending decisions (*i.e.*, credit history, inadequate collateral, and debt-to-income ratio). Investors also provided the Board with detailed information on Investors Bank’s training, marketing, advertising, and underwriting guidelines reflecting its stated commitment to the prevention of prescreening, discouragement, and exclusion of credit applications on a prohibited basis.

With respect to the specific HMDA data on conventional home purchase or home improvement loans cited by the commenter, Investors provided information on

²⁴ The data, for example, 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. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (the reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data.

GCF Bank's nondiscriminatory reasons for individual lending decisions (*i.e.*, credit history and debt-to-income ratio).

The Board also consulted with the FDIC and the CFPB with respect to Investors Bank's record of fair lending performance since the Investors Evaluation. The FDIC reported, based on its review of supervisory information, that it did not find evidence that Investors Bank engaged in discriminatory conduct during the period before which the CFPB assumed jurisdiction over federal consumer financial laws.²⁵ The FDIC has indicated that the bank's operations and compliance program were compliant with fair lending and other consumer protection laws for the time period reviewed by the FDIC.

C. Conclusion on CRA, Fair Lending, and HMDA Review

The Board has considered all of the facts of record, information provided by Investors, confidential supervisory information, and the public comment on the proposal. Based on the Board's analysis of the HMDA data, its evaluation of Investors Bank's and GCF Bank's mortgage lending operations and compliance programs, its review of examination reports, the CRA records of the institutions involved, and its consultations with the OCC, the FDIC, and the CFPB, the Board concludes that the CRA and fair lending records of Investors Bank and GCF Bank on balance weigh in favor of approval. The Board encourages Investors Bank to continue to seek opportunities to assist in meeting the credit needs of the communities it serves.

On December 2, 2013, the Board approved Investors' acquisition of Roma Financial Corporation, MHC, Roma Financial Corporation, Roma Bank, and RomAsia Bank (collectively, "Roma"). In approving the acquisition of Roma by Investors, the Board conditioned its approval by requiring the audit committee of the board of directors of Investors Bancorp to undertake certain review actions. In this case, the Board believes that it is also appropriate, in connection with the acquisition of Gateway, for Investors to enhance its consumer compliance program and policies to account for the size,

²⁵ See 12 U.S.C. § 5481(14).

complexity, and diversification of the business lines that would result from this acquisition and the acquisition of Roma. Accordingly, as a condition of its approval, the Board has determined that the audit committee of the board of directors of Investors Bancorp must issue a written report to the board of directors of Investors Bancorp that shall include: an assessment of Investors Bank's consumer compliance risk systems, processes, and procedures; an assessment of compliance with any reports or recommendations made by any state or federal agency issued in the last five years with respect to consumer compliance; and recommendations for improving the consumer compliance risk program, if necessary. The report shall be issued to the board of directors of Investors Bancorp not later than April 1, 2014, with copies to Investors Bank senior management and the Board of Governors. Compliance with this condition, and with the recommendations made by the audit committee, will be monitored as part of the supervisory process.

Financial Stability

The Dodd-Frank Act added "risk to the stability of the United States banking or financial system" to the list of possible adverse effects that the Board must weigh against any expected public benefits in considering proposals under section 4(j) of the BHC Act.²⁶ To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the

²⁶ Dodd-Frank Act, § 604(e), codified at 12 U.S.C. § 1843(j)(2)(A). Other provisions of the Dodd-Frank Act impose a similar requirement that the Board consider or weigh the risks to financial stability posed by a merger, acquisition, or expansion proposal by a financial institution. See sections 163, 173, and 604(d) and (f) of the Dodd-Frank Act.

resulting firm.²⁷ These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, which 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 to the broader economy.²⁸

The Board has considered information relevant to risks to the stability of the United States banking or financial system. After consummation, Investors would have approximately \$15.7 billion in consolidated assets, and by any of a number of alternative measures of firm size, Investors Bank would be the 77th largest U.S. insured depository organization. The Board generally presumes that a merger that involves an acquisition of less than \$2 billion in assets, or results in a firm with less than \$25 billion in total consolidated assets, will not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction. The Board, therefore, concludes that financial stability considerations relating to this proposal weigh in favor of approval.

Additional Public Benefits of the Proposal

The Board has also considered the extent to which the proposal would benefit the customers of Investors Bank and GCF Bank. Among other things, such benefits can include merger-related cost savings, improvements in the quality of existing product offerings, and the availability of products that were not previously available to customers of any of the parties.

²⁷ Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

²⁸ For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012).

The merger would extend the branch and ATM footprints of Investors Bank and GCF Bank within the New Jersey market, allowing customers greater geographic flexibility in accessing banking services. The applicants also have plans to add drive-up ATMs and night depositories at all Gateway branch locations, thereby offering customers “24-7” access to certain banking services. Loan customers will be able to benefit from larger loan-to-one borrower limits with Investors Bank’s larger capital base.

Investors expects that the proposal would result in cost savings for the combined organization by eliminating redundant back-office costs, professional expenses, occupancy expenses, data processing charges, marketing costs, and other redundant expenses. Investors has noted that these savings would be reinvested back into the current operations of various projects of the combined organization.

Investors also expects that, as a result of the merger, GCF Bank’s customers would have access to a variety of consumer and business services, some of which are not currently offered by GCF Bank due to its small scale, such as a Client Care Center and certain mobile and online banking products. Investors is also planning a robust client outreach for the GCF Bank market to support the transition of the client base and identify additional credit and deposit needs that are not currently available in that market from GCF Bank.

The Board has determined that the conduct of the proposed nonbanking activities within the framework of Regulation Y, Board precedent, and this order are not likely to result in significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or risk to the stability of the United States banking or financial system. On the basis of the entire record, including the commitments made in this case and the conditions noted in this order, and for the reasons discussed above, the Board believes that the factors related to competition, financial and managerial resources, convenience and needs, and financial stability weigh in favor of approval of this case. Accordingly, the Board has determined that the balance of the public benefits under the standard of section 4(j)(2) of the BHC Act is consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the proposal should be, and hereby is, approved.²⁹ 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 other applicable statutes. The Board's approval is specifically conditioned on compliance by Investors with all the conditions imposed in this order and the commitments made to the Board in connection with the application, including receipt of all required regulatory approvals. 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),³⁰ 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, 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.

²⁹ The public commenter requested that the Board hold a public hearing on the proposal. The Board's regulations provide for a hearing on a notice filed under section 4 of the BHC Act if there are disputed issues of material fact that cannot be resolved in some other manner. 12 CFR 225.25(a)(2). Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, commenters have 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. In addition, the request does not demonstrate why the written comment does 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 a public hearing on the proposal is denied.

³⁰ 12 CFR 225.7 and 225.25(c).

The proposal may 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 the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors,³¹ effective December 23, 2013.

Robert DeV. Frierson (signed)

Robert deV. Frierson
Secretary of the Board

³¹ Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Tarullo, Stein, and Powell. Abstaining from this action: Governor Raskin.