

FEDERAL RESERVE SYSTEM

HarborOne Mutual Bancshares  
Brockton, Massachusetts

HarborOne Bancorp, Inc.  
Brockton, Massachusetts

Order Approving the Merger of Bank Holding Companies

HarborOne Bancorp, Inc., and its parent company, HarborOne Mutual Bancshares, both of Brockton, Massachusetts (collectively, “HarborOne”), both bank holding companies within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),<sup>1</sup> have requested the Board’s approval under section 3 of the BHC Act<sup>2</sup> for HarborOne Bancorp, Inc. to acquire and merge with Coastway Bancorp, Inc. (“Coastway”), and thereby indirectly acquire Coastway Community Bank, both of Warwick, Rhode Island. Following the proposed acquisition, Coastway Community Bank would be merged into HarborOne’s subsidiary bank, HarborOne Bank, Brockton, Massachusetts.<sup>3</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (83 Federal Register 17661 (April 23, 2018)).<sup>4</sup> The time for submitting comments has expired, and the Board has considered the

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<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> 12 U.S.C. § 1842.

<sup>3</sup> The merger of Coastway Community Bank into HarborOne Bank is subject to approval by the Federal Deposit Insurance Corporation (“FDIC”), pursuant to section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”). 12 U.S.C. § 1828(c). The FDIC approved the bank merger on August 31, 2018.

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

proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

HarborOne, with consolidated assets of approximately \$2.9 billion, is the 325th largest insured depository organization in the United States.<sup>5</sup> HarborOne controls approximately \$2.1 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. HarborOne controls HarborOne Bank, which operates branches only in Massachusetts.

Coastway is the 1,022nd largest insured depository organization in the United States. Coastway controls approximately \$494.9 million in deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Coastway controls Coastway Community Bank, with assets of \$837 million, which operates only in Rhode Island.

On consummation of the proposal, HarborOne would become the 274th largest insured depository organization in the United States, with consolidated assets of approximately \$3.7 billion, which represent less than 1 percent of the total assets of insured depository institutions in the United States. HarborOne would control consolidated deposits of approximately \$2.6 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.<sup>6</sup>

#### Interstate and Deposit Cap Analysis

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company, without regard to whether the transaction is prohibited under state law.<sup>7</sup> The

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<sup>5</sup> National asset data are as of June 30, 2018. National deposit, ranking, and market-share data are as of March 31, 2018, unless otherwise noted.

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

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

Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the bank has not been in existence for the lesser of the state statutory minimum period of time or five years.<sup>8</sup> In addition, the Board may not approve an interstate application if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.<sup>9</sup>

For purposes of the BHC Act, the home state of HarborOne is Massachusetts, and Coastway Community Bank is located only in Rhode Island.<sup>10</sup> HarborOne and HarborOne Bank are well capitalized and well managed under applicable law, and HarborOne Bank has an “Outstanding” rating under the Community Reinvestment Act of 1977 (“CRA”).<sup>11</sup> Rhode Island has no statutory minimum age requirement,<sup>12</sup> and Coastway Community Bank has been in existence for more than five years.

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

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

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

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

<sup>12</sup> See R.I. Gen. Laws § 19-7-1 et seq.

On consummation of the proposed transaction, HarborOne would control less than 1 percent of the total amount of consolidated deposits of insured depository institutions in the United States. In addition, there are no states in which HarborOne and Coastway have overlapping banking operations; thus, there is no applicable state deposit cap. The Board has considered all other requirements under section 3(d) of the BHC Act, including HarborOne Bank's record of meeting the convenience and needs of the communities it serves. Accordingly, in light of all the facts of record, the Board may approve the proposal under section 3(d) of the BHC Act.

#### Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.<sup>13</sup> The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.<sup>14</sup>

HarborOne Bank and Coastway Community Bank compete directly in the Providence, Rhode Island, banking market ("Providence market").<sup>15</sup> The Board has considered the competitive effects of the proposal in this banking market. In particular,

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<sup>13</sup> 12 U.S.C. § 1842(c)(1).

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

<sup>15</sup> The Providence market is defined as Bristol, Kent, Newport, and Providence counties, all of Rhode Island; the townships of Charlestown, Exeter, Narragansett, New Shoreham, North Kingstown, Richmond, and South Kingstown, all in Washington County, Rhode Island; the city of Attleboro and the townships of Fall River, Rehoboth, Seekonk, Somerset, Swansea, and Westport, all in Bristol County, Massachusetts. HarborOne Bank has a branch located in the Massachusetts portion of this market and does not have a branch presence in the portion of the market located in Rhode Island. Coastway Community Bank has a branch presence only in the portion of the market located in Rhode Island. Nevertheless, the banks are considered to compete in the entire market.

the Board has considered the number of competitors that would remain in the market; the relative share of total deposits in insured depository institutions in the market (“market deposits”) that HarborOne would control;<sup>16</sup> the concentration levels of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>17</sup> and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Providence market. On consummation of the proposal, the Providence market would remain highly concentrated as measured by the HHI, according to the DOJ Bank Merger Guidelines; however, the change in HHI would be small, and numerous competitors would remain in the market.<sup>18</sup>

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<sup>16</sup> State deposit and market share data are as of June 30, 2017, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. *See, e.g., Midwest Financial Group*, 75 Federal Reserve Bulletin 386 (1989); *National City Corporation*, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 Federal Reserve Bulletin 52 (1991).

<sup>17</sup> Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. *See* Press Release, Department of Justice (August 19, 2010), available at [www.justice.gov/opa/pr/2010/August/10-at-938.html](http://www.justice.gov/opa/pr/2010/August/10-at-938.html).

<sup>18</sup> HarborOne operates the 18th largest depository institution in the Providence market, controlling approximately \$93.2 million in deposits, which represent approximately 0.3 percent of market deposits. Coastway operates the 11th largest depository institution

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

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

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

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved.<sup>19</sup> In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to

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in the same market, controlling deposits of approximately \$479.8 million, which represent approximately 1.5 percent of market deposits. On consummation of the proposed transaction, HarborOne would become the 9th largest depository organization in the market, controlling deposits of approximately \$573.0 million, which represent approximately 1.8 percent of market deposits. The HHI for the Providence market would increase by 1 point to 2111, and 23 competitors would remain in the market.

<sup>19</sup> 12 U.S.C. § 1842(c)(2), (5), and (6).

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

HarborOne and HarborOne Bank are well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a cash-share exchange, with a subsequent merger of the subsidiary depository institutions.<sup>20</sup> The asset quality, earnings, and liquidity of both HarborOne Bank and Coastway Community Bank are consistent with approval, and HarborOne appears to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, the future prospects of the institutions under the proposal are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of HarborOne, Coastway, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by HarborOne; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; and the organizations' records of

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<sup>20</sup> To effect the holding company merger, a wholly owned subsidiary of HarborOne Bancorp, Inc., which was formed to facilitate the transaction, would merge with Coastway, with Coastway as the surviving entity ("First-Step Merger"). At the effective time of the First-Step Merger, each share of Coastway common stock that is issued and outstanding would be converted into a right to receive an amount of cash. Immediately thereafter, Coastway would merge with HarborOne Bancorp, Inc., with HarborOne Bancorp, Inc. as the surviving entity. HarborOne has the financial resources to effect the proposed transaction.

compliance with applicable banking, consumer protection, and anti-money-laundering laws.

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

The Board also has considered HarborOne's plans for implementing the proposal. HarborOne has conducted comprehensive due diligence and is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. HarborOne would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, HarborOne's management has the experience and resources to operate the combined organization in a safe and sound manner, and HarborOne plans to integrate Coastway's existing management and personnel in a manner that augments HarborOne's management.<sup>21</sup>

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

#### Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to

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<sup>21</sup> Following consummation of the proposal, Coastway's president and chief executive officer would become the Director of Banking, Rhode Island, at HarborOne Bank.

be served.<sup>22</sup> In its evaluation of the effects of the proposal on the convenience and needs of the communities to be served, the Board considers whether the relevant institutions are helping to meet the credit needs of these communities, as well as other potential effects of the proposal on the convenience and needs of the communities to be served. In this evaluation, the Board places particular emphasis on the records of the relevant depository institutions under the CRA. The CRA requires the federal bank 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 operations,<sup>23</sup> and requires the appropriate federal bank supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.<sup>24</sup>

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

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of HarborOne Bank and Coastway Community Bank, the fair lending and

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<sup>22</sup> 12 U.S.C. § 1842(c)(2).

<sup>23</sup> 12 U.S.C. § 2901(b).

<sup>24</sup> 12 U.S.C. § 2903.

compliance records of both banks, the supervisory views of the FDIC, confidential supervisory information, information provided by HarborOne, and the public comment on the proposal.<sup>25</sup> The commenter requested that HarborOne's proposed acquisition of Coastway include a forward-looking community benefits plan.<sup>26</sup>

*Records of Performance under the CRA*

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

In general, federal bank supervisors apply a lending test to evaluate the performance of a large insured depository institution, such as HarborOne Bank, in helping to meet the credit needs of the communities it serves. The lending test specifically evaluates the institution's lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As

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<sup>25</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

<sup>26</sup> The Board consistently has found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any private party. See, e.g., TriCo Bancshares, FRB Order No. 2018-13 at 9 n.20 (June 6, 2018); Howard Bancorp, Inc., FRB Order No. 2018-05 at 9 n. 21 (February 12, 2018); Sandy Spring Bancorp, Inc., FRB Order No. 2017-32 at 12 n.31 (November 22, 2017); First Midwest Bancorp, Inc., FRB Order No. 2016-18 at 11 n.28 (November 10, 2016); CIT Group, Inc., FRB Order No. 2015-20 at 24 n.54 (July 19, 2015); Citigroup Inc., 88 Federal Reserve Bulletin 485 (2002); Fifth Third Bancorp, 80 Federal Reserve Bulletin 838, 841 (1994). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas.

<sup>27</sup> 12 U.S.C. § 2906.

part of the lending test, examiners review and analyze an institution’s data reported under the Home Mortgage Disclosure Act (“HMDA”),<sup>28</sup> in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution’s lending activities with respect to borrowers and geographies of different income levels. The institution’s lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution’s assessment areas (“AAs”); (2) the geographic distribution of the institution’s lending, including the proportion and dispersion of the institution’s lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;<sup>29</sup> (4) the institution’s community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution’s use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.<sup>30</sup> Large institutions also are subject to an investment test, which evaluates the number and amounts of qualified investments that benefit their AAs, and a service test, which evaluates the availability and effectiveness of their systems for delivering retail banking services and the extent and innovativeness of their community development services.<sup>31</sup> Intermediate small banks, such as Coastway Community Bank, are subject to the lending test, as well as a community development

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<sup>28</sup> 12 U.S.C. § 2801 et seq.

<sup>29</sup> Examiners also consider the number and amounts of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

<sup>30</sup> See 12 CFR 228.22(b).

<sup>31</sup> See 12 CFR 228.21 et seq.

test that evaluates the number and amounts of their community development loans and qualified investments; the extent to which they provide community development services; and their responsiveness to community development lending, investment, and service needs.<sup>32</sup>

#### *CRA Performance of HarborOne Bank*

HarborOne Bank was assigned an overall “Outstanding” rating at its most recent CRA performance evaluation by the FDIC, as of December 18, 2017 (“HarborOne Bank Evaluation”).<sup>33</sup> The bank received “Outstanding” ratings for the Lending Test, Investment Test, and Service Test.<sup>34</sup>

Examiners found that HarborOne Bank’s overall lending levels reflected good responsiveness to the credit needs of its AA. Examiners noted that a high percentage of the bank’s home mortgage and small business loans, as measured by number of loans and dollar volume, was originated within its AA. Examiners found that the geographic distribution of the bank’s loans reflected good penetration throughout its AA and that the distribution of the bank’s borrowers reflected excellent penetration among borrowers of different income levels and businesses of different sizes. Examiners determined that HarborOne Bank was a leader in making community development loans and noted that the bank made extensive use of innovate and flexible lending practices.

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<sup>32</sup> 12 CFR 228.26(c).

<sup>33</sup> The HarborOne Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed mortgage loans reported pursuant to HMDA and small business loans as reported under CRA data collection requirements, from January 1, 2015, through December 31, 2016. The evaluation period for community development loans, investments, and services was August 25, 2014, through December 18, 2017.

<sup>34</sup> The HarborOne Bank Evaluation included a full-scope evaluation of the bank’s sole AA, which consists of parts of the Boston, Massachusetts Metropolitan Division and the Providence-Warwick, Rhode Island-Massachusetts Metropolitan Statistical Area (“MSA”).

Examiners found that HarborOne Bank had an excellent level of qualified community development investments, grants, and donations. In addition, examiners determined that the bank was a leader in providing community development services in its AA. Examiners found that the bank's delivery systems were readily accessible to all portions of its AA, and the bank's branch hours and services were tailored to the convenience and needs of the bank's AA.

*CRA Performance of Coastway Community Bank*

Coastway Community Bank received an overall rating of "Outstanding" at its most recent CRA performance evaluation by the FDIC, as of May 30, 2017 ("Coastway Evaluation").<sup>35</sup> The bank received "Outstanding" ratings for the Lending Test and the Community Development Test.<sup>36</sup>

Examiners concluded that Coastway Community Bank was responsive to the credit needs of its AA. In particular, examiners found that the bank's loan-to-deposit ratio was reasonable given the bank's asset size, financial condition, and the credit needs of its AA. Examiners noted that the bank made a substantial majority of its home mortgage and small business loans within its AA. Examiners found that the geographic distribution of the bank's home mortgage and small business loans reflected excellent dispersion throughout its AA. Examiners also found that, given the demographics of the bank's AA, the distribution of the bank's borrowers reflected excellent penetration among individuals of different income levels and businesses of different sizes.

Examiners concluded that Coastway Community Bank demonstrated excellent responsiveness to the community development needs of its AA through

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<sup>35</sup> The Coastway Evaluation was conducted using Intermediate Small Bank CRA Examination Procedures. Examiners reviewed mortgage loans reported pursuant to HMDA and small business loans reported under CRA data collection requirements, from January 1, 2015, through December 31, 2016. The evaluation period for community development lending, investments, and services was July 1, 2014, through May 30, 2017.

<sup>36</sup> The Coastway Evaluation included an evaluation of the bank's sole AA, which consists of parts of the Providence-Warwick, Rhode Island-Massachusetts MSA.

community development loans, qualified investments, and community development services.

*Views of the FDIC*

In its review of the proposal, the Board consulted with the FDIC regarding HarborOne Bank's CRA, consumer compliance, and fair lending records. The FDIC reviewed and approved the Bank Merger Act application related to the proposal. The Board has considered the results of the most recent consumer compliance examinations of HarborOne Bank and Coastway Community Bank conducted by FDIC examiners, which included a review of the banks' compliance management programs and the banks' compliance with consumer protection laws and regulations. The Board has taken this information, as well as the CRA performance records of HarborOne Bank and Coastway Community Bank, into account in evaluating the proposal, including in considering whether HarborOne has the experience and resources to ensure that HarborOne Bank helps to meet the credit needs of the communities within its AA.

*Additional Convenience and Needs Considerations*

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. HarborOne represents that, following consummation of the proposal, existing customers of HarborOne Bank and Coastway Community Bank would benefit from an expanded branch and ATM network. In addition, HarborOne represents that the proposal would result in a combined organization with lower fixed costs and greater resources for lending and community investment activities.

HarborOne asserts that the combined organization would remain committed to fulfilling the needs of LMI communities. HarborOne states that it will continue to offer its existing products and services following consummation of the proposal. This includes products that are intended to increase affordable housing and the creation of small businesses, such as first-time home buyer loans, MassHousing mortgages, Federal Home Loan Bank grants, and Small Business Administration loans.

### *Conclusion on Convenience and Needs Considerations*

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

### Financial Stability

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) amended section 3 of the BHC Act to require the Board to consider “the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system.”<sup>37</sup>

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.<sup>38</sup> These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures,

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<sup>37</sup> Dodd-Frank Act § 604(d), Pub. L. No. 111-203, 124 Stat. 1376, 1601 (2010), codified at 12 U.S.C. § 1842(c)(7).

<sup>38</sup> Many of the metrics considered by the Board measure an institution's activities relative to the United States financial system.

the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.<sup>39</sup>

The Board's experience has shown that proposals involving an acquisition of less than \$10 billion in total assets, or that result in a firm with less than \$100 billion in total assets, are generally not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.<sup>40</sup>

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target that has less than \$10 billion in total assets and a pro forma organization of less than \$100 billion in total assets. Both the acquirer and the target are predominately engaged in retail and commercial banking activities.<sup>41</sup> The pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a

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<sup>39</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

<sup>40</sup> See People's United Financial, Inc., FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

<sup>41</sup> HarborOne and Coastway offer a range of retail and commercial banking products and services. HarborOne has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

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

### Conclusion

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved. 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 HarborOne with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection with the proposal. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors,<sup>42</sup> effective September 12, 2018.

*Ann E. Misback (signed)*

Ann E. Misback  
Secretary of the Board

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<sup>42</sup> Voting for this action: Chairman Powell, Vice Chairman for Supervision Quarles, and Governor Brainard.