

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF BANKING
1511 PONTIAC AVENUE, BUILDING 69-2
CRANSTON, RHODE ISLAND

DECISION AND ORDER

IN RE:

**APPLICATION OF COASTWAY CREDIT UNION
TO CONVERT TO A FINANCIAL INSTITUTION OPERATING
UNDER THE NAME COASTWAY COMMUNITY BANK
UNDER THE LAWS OF THE STATE OF RHODE ISLAND
PURSUANT TO R. I. GEN. LAWS §19-5.1-1 *et seq.***

I. JURISDICTIONAL STATEMENT AND TRAVEL OF THE CASE

This matter came before the Department of Business Regulation ("Department"), Division of Banking ("Division"), upon the Application of Coastway Credit Union (the "Applicant"), a credit union chartered and existing pursuant to Title 19 of the General Laws of Rhode Island and having its principal place of business located at One Coastway Plaza, Cranston, Rhode Island 02910, for approval to convert to a mutually owned financial institution chartered under the laws of Rhode Island and named Coastway Community Bank pursuant to R. I. Gen. Laws §19-1-3 and 19-5.1-1 *et seq.*

The Application was filed with the Division on September 22, 2008 with supplemental information received by the Division subsequent to the initial filing. Applicant published a Notice of Application Filed in The Providence Journal during three consecutive weeks, specifically on January 26, 2009, February 3, 2009 and February 11, 2009. The Application was available for public inspection and comment in the office of the Division from January 28, 2009 through February 13, 2009. The Division in connection with the Application during the comment period received no letters of comment or objection, therefore no public hearing was held.

II. APPLICABLE LAW

1. Standard

The Director of the Department (the "Director"), or the Director's designee, is expressly authorized by R. I. Gen. Laws § 19-5.1-3 of The Credit Union Conversion Act of 2001 (the "Act") to approve a conversion of a credit union into a financial institution. Pursuant to the Act, to convert from a credit union to a financial institution, a credit union must: (a) demonstrate compliance with the various applicable requirements of R.I. Gen. Laws §19-2-1 *et seq.*; (b) adopt a plan of conversion by a two-thirds vote of the its board of directors and majority vote of its qualified members qualified to vote pursuant to R. I. Gen. Laws §19-5-7 who are present in person or by proxy at a meeting called by its board of directors; (c) obtain the approval of the Director of its plan of conversion prior to the membership meeting and vote of the eligible members; and, (d) provide evidence that its deposits will continue to be federally insured. The Director has promulgated Banking Regulation 4 (the "Regulation") pursuant to the Director's authority under the Act. Under applicable law, therefore, the Director may issue a certificate of approval upon a finding that the requirements of the Act and applicable regulations have been met.

2. Community Reinvestment Act Standard

It has been the policy of the Director, in reviewing applications of regulated institutions, to determine whether an applicant will adhere to Community Reinvestment Act ("CRA") standards. The principles inherent in CRA require institutions to address the credit needs of the communities they serve. While credit unions are not subject to the federal CRA, 12 U.S.C. §2901 *et seq.*, and only the state CRA, R. I. Gen. Laws §19-9-4, is applicable, the proposed financial institution will be subject to the federal CRA, 12 U.S.C. § 2901 *et seq.* The Director believes that CRA factors are relevant and important in determining whether to approve an application.

III. FINDINGS OF FACT

Evidence was submitted to the Division in support of the Application, which included various documents attached as exhibits to the Application, including the Plan of Mutual Charter Conversion (the "Plan"), the Disclosure Statement, the Agreement to Form and Bylaws for Coastway Community Bank.

Specifically, pertinent financial information was provided along with information on the background of Applicant including: an Affidavit of Publication of Notice of Intention to Adopt a Plan for Conversion to a Mutual Savings Bank indicating that notice was provided that Applicant's board of directors was considering adoption of the Plan, which notice was published in The

Providence Journal on July 19, 2008; a copy of the minutes of the meeting of Applicant's board of directors approving and adopting the Plan with the secretary's attestation; a three (3) year business plan for Coastway Community Bank; Applicant's recent financial statements; all information and materials filed with the National Credit Union Administration ("NCUA") and the Federal Deposit Insurance Corporation ("FDIC"); and, all information sent to the members of the Applicant as previously approved by the Division. Based upon the documentary evidence filed with the Division, the Director hereby makes the following findings of fact:

1. On September 22, 2008 the Division duly received from the Applicant the Application with supplemental information received by the Division subsequent to the initial filing.

2. Included with the Application, the Division received the proposed forms of Agreement to Form and Bylaws of Coastway Community Bank pursuant to the Act and R. I. Gen. Laws §19-2-2.

3. As part of the Application, the Division received a proposed form of the Certificate of Approval pursuant to R. I. Gen. Laws §19-5.1-3(f).

4. As part of the Application, the Division received the Plan and associated Disclosure Statement to be provided to Applicant's eligible members pursuant to the Act. The Division on December 18, 2008 approved the Disclosure Statement and voting procedures pursuant to the Plan.

5. Applicant published A Notice of Application Filed during three consecutive weeks, specifically on January 26, 2009, February 3, 2009 and February 11, 2009 in The Providence Journal.

6. The public inspection and comment period for the Application extended from January 28, 2009 through February 13, 2009, during which time the Application was available for public inspection and comment in the office of the Division. The Division in connection with the Application during the comment period received no letters of comment or objection, therefore no public hearing was held.

7. The proposed financial institution's Agreement to Form (the "Agreement to Form") states that Coastway Community Bank shall be formed for the purpose of engaging in the business of a financial institution, with all of the powers, rights and privileges and subject to all of the duties, restrictions and liabilities applicable to financial institutions set forth in Title 19 of the General Laws of Rhode Island, as amended. Coastway Community Bank also filed proposed bylaws (the "Bylaws").

8. The Agreement to Form and Bylaws describe the rights of the members of Coastway

Community Bank.

9. Applicant has provided evidence that at the time of approval of the Plan, Coastway Community Bank will maintain the same branch locations, the same customers and accounts, federal deposit insurance, the same policies and procedures, the same directors, the same officers and employees, the same financial statements, and will be engaged in the same banking activities as conducted by Applicant immediately prior to the approval of the Plan.

10. The Plan and materials provided to the Division in support thereof contained a complete description of all significant terms.

11. The Application contained a copy of the FDIC Interagency Charter and Federal Deposit Insurance Application filed by Applicant (the "FDIC Application").

12. On April 24, 2009 the Division received a copy of a letter from the FDIC dated April 21, 2009 conditionally approving Applicant's FDIC Application.

13. The Application contained a copy of the information and documents filed with the NCUA.

14. By letter from the NCUA dated January 8, 2009, the NCUA stated that it did not disapprove of the materials to be submitted to Applicant's members with respect to the proposed conversion. By letter dated May 27, 2009, the NCUA approved the methods and procedures applicable to the vote of the members of Applicant subject to completion of the conversion within one year of the date of its letter.

15. While Applicant as a credit union is not subject to the federal CRA, Applicant has demonstrated its intent to comply with CRA as Coastway Community Bank and non-discrimination laws and regulations and to address the communities' credit needs. Applicant has complied with the state CRA.

16. Applicant provided information that pursuant to a vote of the board of directors of Applicant, a meeting of the eligible Members of Coastway Credit Union (the "Eligible Members") was held on April 29, 2009 to consider the Plan. Of the 6,094 Eligible Members present in person or by proxy at said meeting, 4,755 or approximately 78% of the Eligible Members present in person or by proxy at said meeting voted to approve the Plan in accordance with the methods and procedures applicable to the vote of the members.

17. Applicant has provided all disclosure materials provided to the eligible members and the Director considers those materials fair and adequate with respect to the Plan.

18. Based upon the documentary evidence filed and presented with the Application, the

Director has determined that approval of the Plan is in the best interest of Coastway Credit Union and its members with respect to its ability to remain financially strong and competitive.

19. Information was provided by the Applicant with respect to the fairness of the conversion to the members. The Plan, the Agreement to Form and the Bylaws confer upon existing and future members of Coastway Community Bank substantially the same rights in Coastway Credit Union, including any liquidation rights pursuant to the Act, as were conferred upon members of Coastway Credit Union as in effect immediately prior to the adoption of the Plan.

IV. CONCLUSIONS OF LAW

Based upon the evidence presented, including documentary evidence filed with the Division, the Director hereby makes the following conclusions of law.

1. R. I. Gen. Laws §19-5.1-3 authorizes the Director to issue the Certificate of Approval with respect to the conversion of a Rhode Island state chartered credit union into a Rhode Island financial institution as contemplated by the Application.

2. The Director has jurisdiction over the Application in accordance with, and with the general effect provided for in, R. I. Gen. Laws §19-5.1-3.

3. The Notice of Application Filed satisfies the requirements of R. I. Gen. Laws §19-1-3 with respect to the publication of notice for the Application.

4. The proposed financial institution, Coastway Community Bank, was formed for the purposes of effectuating the Plan and engaging in the business of a financial institution, with all of the powers, rights and privileges and subject to all of the duties, restrictions and liabilities applicable to financial institutions set forth in Title 19 of the General Laws of Rhode Island, as amended.

5. The Application satisfies the standards in R. I. Gen. Laws §19-5.1-3.

6. The Application complies with the spirit and intent of R. I. Gen. Laws §19-9-4 regarding credit needs of local communities.

7. The documentary evidence filed with and presented by the Application, including supplemental information provided by the Applicant, satisfies all other statutory requirements of Title 19 of the R. I. General Laws applicable to the conversion of a credit union into a mutually owned financial institution.

8. Approval of the Plan is fair to the eligible members.

9. In accordance with 12 C.F.R. §708a.9, the vote of the Eligible Members approving

the Plan is hereby accepted and the methods and procedures used by the Applicant in connection with the conversion are hereby approved.

V. DECISION AND ORDER

Upon review and consideration of the documentary evidence in the record presented in this matter, it is hereby ORDERED:

1. That the application of Coastway Credit Union for approval to convert into a mutually owned financial institution under the name Coastway Community Bank with all current branch locations and for the issuance of a Certificate in connection therewith is hereby approved in accordance with, and with the general effect provided for in, R. I. Gen. Laws Chapters 19-5.1 and 19-2 subject to the following conditions and restrictions:

a. Coastway Community Bank must demonstrate to the Division that its Agreement to Form, in triplicate, has been filed with the Office of the Rhode Island Secretary of State.

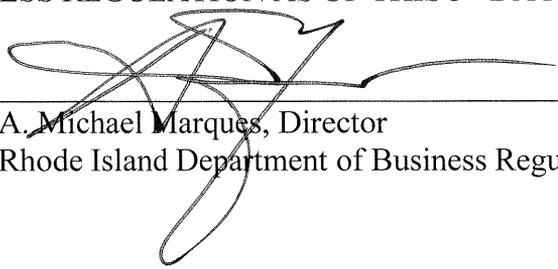
b. Coastway Community Bank must demonstrate to the Division that its deposits are to be insured by the FDIC.

c. Coastway Community Bank must provide the Division with evidence of compliance with the bonding requirements contained in R. I. Gen. Laws §19-2-19 and implementing Banking Regulation 98-2.

d. Applicant must obtain all necessary approvals and/or non-objections from federal banking regulatory agencies with jurisdiction over the Application.

e. Applicant completes the conversion process within one (1) year of the date of this Decision and Order.

ENTERED AS AN ADMINISTRATIVE ORDER NUMBER 09-144 OF THE DIRECTOR OF THE DEPARTMENT OF BUSINESS REGULATION AS OF THIS 3rd DAY OF JUNE 2009.



A. Michael Marques, Director
Rhode Island Department of Business Regulation