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Public Policy and the Missing Link: A Progress Report on the Design and Implementation of the Massachusetts Linked Deposit Program

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The
John W. McCormack
Institute of
Public Affairs

Public Policy and the Missing Link:
A Progress Report on the Design and
Implementation of the Massachusetts
Linked Deposit Program

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Prepared for
the John W. McCormack
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University
of Massachusetts
at Boston

December 1985

PUBLIC POLICY AND THE MISSING LINK:
A PROGRESS REPORT ON THE DESIGN AND IMPLEMENTATION
OF THE MASSACHUSETTS LINKED DEPOSIT PROGRAM

by

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EXECUTIVE SUMMARY

The idea underlying the Massachusetts Linked Deposit Program (LDP), which has been operated by the Treasurer since 1978, is that a portion of the money in the state's General Fund is deposited in Massachusetts banks, with the amounts awarded to individual banks linked to their performance in serving the people and communities of Massachusetts. Bidding banks must offer a required minimum interest rate and must furnish specific information on the composition of their loan and investment portfolios. This information is used to compute a "linked deposit score" for each bank, which provides a basis for linking the awarding of public deposits to the performance of private banking institutions. Following the awards of May 1985, a total of \$142.8 million in LDP funds was held by 79 banks.

A previous report by the present author, Private Banks and Public Money: An Analysis of the Design and Implementation of the Massachusetts Linked Deposit Program [published by the McCormack Institute in early 1985] presented the initial results of the first systematic review and evaluation of the Massachusetts LDP that had been undertaken since the program's inception. This report identified serious deficiencies in every program aspect reviewed. Its most important single finding was that there was in fact no linkage between the scores and awards — that is, that the size of the deposits awarded to individual banks was unrelated to the LDP scores calculated for those banks by the Treasurer.

Private Banks and Public Money included a number of constructive proposals for strengthening and improving the Massachusetts LDP. In

response, the Treasurer's office implemented a number of significant changes in the forms and procedures used for the May 1985 cycle of bids and awards. The present report describes and evaluates the design and implementation of these modifications. The principal conclusion that emerges from the analysis presented in the body of this report is that although significant improvements were introduced in May 1985, the two major conclusions of our previous study remain valid: (1) "there is [still] in fact no linkage in the Massachusetts linked deposit program as it is currently operated" and (2) "the Massachusetts LDP [still] falls far short of being 'well-designed, well-implemented, and well-publicized' -- that is, it [still] fails to meet the three-part criterion originally set forth by the Special Commission on State Investment."

The report concludes by offering a number of constructive suggestions for further improvements in the Massachusetts LDP, and by recommending that these be considered for adoption before the May 1986 round of bids and awards. These suggestions are based on the belief, stated in the final paragraph of Private Banks and Public Money, that "If Massachusetts is to continue to have a linked deposit program, it should be as vigorous, visible, efficient, and effective as possible. At its core must be a strong, clear, and sensible link between the allocation of public deposits and the performance of private banking institutions."

I. INTRODUCTION [1]

The idea underlying the Massachusetts Linked Deposit Program (LDP), which has been operated by the Treasurer of the Commonwealth since 1978, is that a portion of the money in the state's General Fund is deposited in Massachusetts banks, with the amounts awarded to individual banks linked to their performance in serving the people and communities of Massachusetts. Twice each year, in May and November, the Treasurer writes to all commercial banks and thrift institutions operating in the state, soliciting bids for six- and twelve-month time deposits. Bidding banks must offer a required minimum interest rate (between the current market rate and one percentage point below that rate, depending on the type and size of bank) and must furnish specific information on the composition of their loan and investment portfolios. This information is used to compute a "linked deposit score" for each bank, which provides a basis for linking the awarding of public deposits to the performance of private banking institutions. Following the awards of May 1985, a total of \$142.8 million in LDP funds was held by 79 banks.

A previous report by the present author, Private Banks and Public Money: An Analysis of the Design and Implementation of the Massachusetts Linked Deposit Program [University of Massachusetts at Boston: McCormack Institute of Public Affairs, Winter 1985] presented the initial results of the first systematic review and evaluation of the Massachusetts LDP that had been undertaken since the program's inception. This report identified serious deficiencies in every program aspect reviewed. Its most important single finding, based on a quantitative analysis of all

LDP scores and LDP awards during both of 1983's bidding cycles, was that there was in fact no linkage between the scores and awards -- that is, that the size of the deposits awarded to individual banks was unrelated to the LDP scores calculated for those banks by the Treasurer. Other deficiencies included the way that banks were grouped together into "leagues"; the ambiguity of the program's "maintenance of effort" requirement; the weakness of the scoring formula in reflecting bank performance; the absence of publicity given to program results; the flawed design of the LDP bid form and its accompanying instructions; and the lack of an explicit formula for allocating awards among banks on the basis of their scores and (perhaps) other specified criteria.

One of the objectives of the review and evaluation of the Massachusetts LDP, which was undertaken with cooperation of the Treasurer's office, was to identify desirable changes in the program. Accordingly, Private Banks and Public Money included a number of constructive proposals for strengthening and improving the Massachusetts LDP. In response to the report's findings and proposals, the Treasurer's office undertook a process of review and revision that resulted in the implementation of a number of significant changes in the forms and procedures used for the May 1985 cycle of bids and awards [2].

The purpose of the present report is to describe and evaluate the design and implementation of these changes. Part II identifies the major changes in the forms and procedures used in the Massachusetts LDP. It explains how several of these changes represent significant improvements, and it also discusses a number of remaining problems. Part III examines, on the basis of a detailed quantitative study of all May 1985 bids and awards, the results of the implementation of the changes in the

Massachusetts LDP. Its principal finding is that there was still no link between scores and awards during the May 1985 bidding cycle, although strict application of the Treasurer's new allocation formula would have produced, for the first time in the program's history, a link between scores and awards. Several other empirical findings concerning the actual operation of the revised procedures are also reported. Finally, Part IV offers conclusions and recommendations, including several constructive proposals for further improvements in the Massachusetts LDP.

The text of the report is supplemented by two appendices. The first reproduces the Treasurer's revised forms and instructions. The second provides detailed information not only about the bids, scores, and awards for individual banks in May 1985, but also about both LDP awards to, and LDP deposits held by, each participating bank, for the entire period since May 1982.

The present report is intended to supplement rather than supercede Private Banks and Public Money. While enough background information is provided in this report so that it can be read independently, no attempt has been made to repeat the detailed description of the program's history, structure, and operation contained in that earlier report (which is available on request from the McCormack Institute or the author).

II. LDP DESIGN: CHANGES IN STRUCTURE AND PROCEDURES

Between the November 1984 and May 1985 bidding cycles several significant changes were made in the structure and procedures of the Massachusetts LDP. These changes addressed most of the areas of program deficiency identified in Private Banks and Public Money and included constructive steps to rationalize, simplify, and make more explicit the rules governing operation of the program. Nevertheless, a number of problems and questions remain.

Positive Changes

The question of the minimum qualifying interest rate bid required of a bank was separated from the question of what other banks it competes against for linked deposit awards. All commercial banks now compete against each other in League I, instead of there being a small separate league for the biggest banks. At the same time, the distinction between banks of different sizes was maintained by requiring banks with assets of more than \$1 billion to bid at least the New York money market rate on large certificates of deposit of like maturity (i.e., six-month or 12-month), while the minimum rate for those with assets between one-half and one billion dollars is 50 basis points below that rate, and the minimum for banks with assets of less than one-half billion dollars is 75 basis points below that rate. All thrift institutions (savings banks, cooperative banks, and federal savings and loan associations) remain in a single league, now League II rather than League III, but a distinction was introduced for the first time between bigger and smaller thrifts: the minimum acceptable bid from thrifts with assets of more than 100 million

dollars is 75 basis points below the New York market rate, while the minimum bid for smaller thrifts is 100 basis points below that rate. This new structure represents a clear improvement over the structure that it replaces.

There were two helpful moves toward greater simplicity, and therefore reduced administrative burdens on both participating banks and the Treasurer's office. First, banks now report their compliance with the program's maintenance of effort requirement on the same form that they use to bid for linked deposits. Banks now have just one form to complete, one set of instructions to comprehend, and one deadline to meet (rather than two), and the Treasurer's office now has only one mailing to make and one set of forms to process (again, down from two). Second, three categories of loans were eliminated from the scoring formula, reducing the total number of categorical areas from eight to five; this reflected our previous finding that loans in these areas, no matter how worthy, made no significant contribution to LDP scores [see Private Banks and Public Money, pp. 27-28].

In addition, the revised program forms made certain central features of the program clear and explicit for the first time. First, in the letter dated April 23 that was sent to all banks to announce the availability of May LDP awards, the Treasurer specified the "anticipated award amount" for each League (\$47.3 million for League I and \$27.7 million for League II); this had not been done in previous bidding cycles. Second, the "maintenance of effort" criteria, which previously had been stated in an ambiguous way that was capable of several alternative interpretations [see Private Banks and Public Money, pp. 22-24], was reduced to an explicit formula; by filling in a number of

blanks with specified information and completing the indicated arithmetic operations, each bank is now required to demonstrate its compliance with the maintenance of effort directly on the "Link Deposit Bid Form" itself. Third, it is now clear that the LDP score used in allocating awards among banks is not affected by the interest rate bid; the previous form strongly indicated that it was so affected [3]. A bank may still bid a higher rate of interest than the minimum required of it, and the Treasurer is pleased to accept this higher rate of interest on any deposits awarded to that bank, but program materials now make clear that LDP scores are calculated, and LDP funds are to be allocated, according to explicit formulas that do not take the interest rate bid into account.

Most important, there is for the first time an explicit procedure, specified in detail, for allocating the total funds to be awarded in a league among the qualifying bidders in that league. As specified in Section X ("Allocation of Funds") of the "Link Deposit Program Supplement," this procedure is as follows:

When all timely bids are received by this office the banks with Link Deposit Scores above .5000 will be grouped by leagues. A total of the Link Deposit Scores will be calculated for each individual league. Then a percentage for each bank's score in respect to its league total will be calculated.

Each eligible bank will receive the assigned percentage of the awards to be given in its league provided that the percentage in the league does not exceed 15% of the total amount awarded in that league, and the amount awarded to a bank cannot exceed the amount bid or the total amount that the bank may hold on deposit as outlined by this program.

The funds not awarded by this process within a league, in part or whole, will be awarded starting with the bank with the highest Link Deposit Score and working down to the lowest providing the above regulations are not violated.

The overall effect of these moves toward greater clarity and explicitness is a program that is more readily understandable by all interested parties and one in which unambiguous formulas and rules play a predominant role in determining eligibility, scores, and awards. The allocation formula clearly provides higher awards for banks with higher scores. Because some banks, including some with high scores, can be expected to bid for smaller deposits than those they would be entitled to under the proportional allocation formula governing the first round of awards, the link will not be perfect -- that is, some banks will receive smaller deposits than other banks with lower scores. On the other hand, the funds not awarded to these low-bidding banks in the first round are used to provide a second round of deposits, up to the amount bid, for the highest scoring banks, thereby increasing the strength of the linkage between scores and awards.

Remaining Problems

Although each of the changes just described represents a definite improvement in the design of the Massachusetts LDP, the Treasurer's revisions fall short of remedying all of the program's previously identified deficiencies. In this section we will discuss in turn problems concerning the publicity given to the LDP, the structure of minimum interest rate requirements, the maintenance of effort formula, the determination of banks' eligibility to receive awards as large as their bids, and the procedures for the allocation of awards among banks.

One of the major deficiencies of the Massachusetts LDP that was identified in Private Banks and Public Money [pp. 38-39] was that its operation and results -- and, indeed, its very existence -- had been

given virtually no publicity. There appear to have been no changes in this area since the completion of the earlier report.

Although the regrouping of banks into just two leagues, the revision of the inappropriately low asset size previously used to divide commercial banks, and the introduction of a size grouping among thrifts are all positive steps, the details of the revised LDP procedures raise questions about the distinctions among banks of different sizes and types in terms of the minimum interest rate required. For example, What is the rationale for the particular cut-off points within each league? Why are the cut-off points different between leagues? Why are the minimum required rates lower for thrifts than for commercial banks? Particularly in light of the growing similarity among the different types of depository institutions, there is no obvious rationale for retaining differences between the rates required of a commercial bank and of a thrift institution which has the same assets. On the contrary, there would seem to be a strong prima facie case for treating the two types of banks equally.

The Massachusetts LDP's maintenance of effort requirement exists in response to an intuitive belief that banks receiving funds under the state's LDP ought to use those funds for additional lending in the categories indicated by the LDP as being particularly worthwhile. Thus, if a bank's holdings of LDP funds increases by a certain amount (say, \$500,000) between the two most recent periods, its loans in the specified categories are required to have increased by at least seventy percent of this amount (\$350,000, in our example). Although the movement from an ambiguous to an explicit statement of this requirement is, as noted above, a positive change, one central feature of the substance of the

newly explicit requirement renders it essentially meaningless. The particular problem with the current formula is that the "before" and "after" totals being compared are not truly comparable: the "before" total consists of the dollar amounts in four of the five categories on the earlier date, whereas the "after" total consists of the corresponding dollar amounts on the later date plus total low income mortgage loans during the most recent calendar year. This is surely a requirement that no bank could be expected to fail. The current maintenance of effort requirement gives the impression that "maintenance of effort" is being monitored, but it in fact provides no effective monitoring.

Since it is probably impossible, in my view, to create a reasonable, equitable, and meaningful formula for measuring maintenance of effort, there may be no great harm in having a formula which no bank will ever fail to meet. However, the same result could be produced with much less paperwork and with significantly simpler forms and procedures if the maintenance of effort requirement were simply done away with [see Private Banks and Public Money, pp. 24-25]. In this regard, it should be noted that use of an allocation formula that created a strong link between current LDP scores and current LDP awards would automatically result in reduced awards to banks which failed to maintain their previous level of performance relative to other banks.

Private Banks and Public Money criticized the "Link Deposit Bid Form" for not requiring a bank to demonstrate, or even to certify, its eligibility to receive an LDP award as large as that for which it was submitting a bid, and it suggested that the Treasurer "redesign [this] form so that each bank was required to show explicitly each step in calculating the maximum linked deposit award for which it would be

eligible" [pp. 20-21]. (A bank's total holding of state deposits is limited to 55% of capital, surplus, and undivided profits for commercial banks [up to 85% if the excess over 55% is collateralized]; to 5% of total deposits for savings banks; to 1.5% of total deposits for cooperative banks; and to \$100,000 for federal savings and loan associations.) This suggestion was not adopted by the Treasurer. It remains impossible, on the basis of the information provided on a completed bid form, to determine how large an award the bank is eligible to receive. (While this might seem to be merely a formalistic quibble, since banks would not be expected to submit bids for larger deposits than they are eligible to hold, we shall see later in this report that this was not necessarily the case in May 1985.) In any case, there is no apparent argument against having banks demonstrate and certify, on the linked deposit bid form, that they are not bidding for more funds than they are eligible to receive [4].

The most serious single problem with the changes introduced in May 1985 concerns the procedures for allocating funds among banks. A major flaw is contained in a paragraph in Section X of the "Link Deposit Program Supplement" that follows the paragraphs quoted above:

Those banks who bid for funds and who have been participants in the program as of 3/30/85 and who do not receive an allocation equal to their upcoming maturities may receive additional funds not to exceed said maturities, at the discretion of the Treasurer.

This provision was added to the allocation process as a result of concern about the possible effect of the sudden withdrawal of funds from a bank which had come to expect, and perhaps even to depend upon, renewal of its state deposits under the Massachusetts LDP. Other possible provisions, however, could better serve this same purpose. For example,

the following provision from the Colorado Treasurer's announcement of the November 1976 auction of linked deposits in that state (deposits were to be awarded for 6-month, 1-year, and 2-year terms; results of the auction were to be announced on November 19) was brought to the attention of the Massachusetts Treasurer's office in early 1985: .

DEFAULT DEPOSIT AND RATE: If you bid and lose any or all of your bids, or have certificates maturing November 29, 1976 and your bid is not accepted, a deposit from the state may be available to you for 98 days to March 7, 1977. The availability of such deposit will depend upon the liquidity of the General Fund investments and whether the auction is undersubscribed at acceptable rates. In any case, such a deposit will bear an interest rate equal to 120% of the market rate as of November 23, 1976 as determined by the Treasurer. Telephone...on November 23, 1976 to discuss such a deposit [emphasis in original].

Although both provisions would cushion a bank against possible hardship resulting from an unexpected withdrawal of linked deposit funds, they differ in two very significant respects. First, Colorado provided these deposits only at a rate significantly above the market rate, whereas Massachusetts provides them at the regular, below-market rate that applies to regular LDP deposits. Second, the Colorado provision clearly placed the initiative for arranging such deposits on the bank which wished to receive them, whereas the Massachusetts provision refers only to "the discretion of the Treasurer."

In fact, as we will see in detail in Part III, the Massachusetts Treasurer exercised his discretion by acting as though the provision read "shall receive" rather than "may receive"; no bank experienced an involuntary decline in its holdings of linked deposit funds. The Treasurer decided on a two year transition to reliance on his new allocation formula: the paragraph of the November 1985 "Link Deposit Program Supplement" that replaces the May 1985 paragraph reproduced just

above says:

Those banks who bid for funds and who have been participants in the program as of 3/30/85 and whose current deposits along with the November allocation do not equal 75% of the deposits held as of 3/30/85 may receive additional funds not to exceed 75% of said deposits, at the discretion of the Treasurer.

In May 1986, the percentage effectively guaranteed will be fifty percent; in November 1986, twenty-five percent; and in May 1987 there will be full reliance on the new allocation formula. (This plan is not described in any of the LDP materials distributed by the Treasurer; it was described to me orally in early November when I was reviewing with the Treasurer's office the results of the quantitative analysis described in Part III, below.)

The Colorado provision offers one specific example of how another state's LDP dealt with this potential problem. Many possible alternatives could be designed -- by varying the maturity of the "default deposits"; by varying the interest rate required; and by varying the procedures and criteria for determining which banks shall receive such deposits. To the extent that any such provision is deemed necessary, Massachusetts might well prefer an alternative significantly different from that used in Colorado a decade ago. Nevertheless, it is difficult to envision arguments that would justify the alternative implemented in May 1985: awards made automatically, at a below-market interest rate, for a full six- or twelve-month period. The wording and use of this provision undermines the move toward reliance on an explicit allocation formula in two ways. First, the actual allocation policy is not fully and explicitly stated in the program materials, and second, as we shall see in Part III, it effectively destroys, in the short run, the creation of an actual linkage between scores and awards.

III. IMPLEMENTING THE CHANGES: QUANTITATIVE ANALYSIS

To determine the actual impact of the implementation of the revised forms and procedures described in Part II, above, a detailed analysis of all May 1985 LDP bids by, and LDP awards to, individual banks was undertaken. This section presents the main findings that emerged from that analysis.

Bid information was transcribed from the original bid forms, examined in the Treasurer's office. Lists of awards were provided by the Treasurer's office, for May and November 1984 as well as for May 1985. The Statistical Appendix accompanying this report presents more detailed information about the scores, bids, and awards of individual banks than could be presented in the three summary tables included in this part of the report. In the tables, individual banks are referred to by a three-digit "bank code"; the first appendix table gives the name and code number of each bank that has participated in one or more bidding cycles of the Massachusetts LDP since May 1982.

Actual Awards: Not Linked to LDP Scores

The first of the two "principal conclusions" of Private Banks and Public Money was that "there is in fact no linkage in the Massachusetts linked deposit program as it is currently operated; deposits are allocated among banks independently of the banks' linked deposit scores as determined by the Treasurer's own scoring formula" [p. 40]. The most important of the changes made before the May 1985 bidding cycle was an explicit allocation formula designed, in response to this finding, to

guarantee that awards would be linked to scores (see pp. 6-7, above). Thus, the first question addressed in our empirical analysis was the extent to which implementation of the new formula succeeded in bringing about such a link. What our calculations showed is that in May 1985, there was still no link between the LDP scores of individual banks and the LDP awards to those banks. The earlier report's conclusion, as quoted at the beginning of this paragraph, remains precisely true.

The empirical basis for this statement is provided in the first four columns of Tables I and II, which show the LDP score, the total amount bid for, and the actual total award to each bank in League I (Table I) and in League II (Table II). The fifth column shows each bank's award as a percentage of its bid. Although the tables are arranged in descending order of bank scores (highest scoring bank at the top, lowest scoring bank at the bottom), there is no readily apparent tendency for either greater dollar awards or greater award/bid percentages to occur higher in the tables.

The lack of a positive relationship between scores and awards is more clearly indicated in Table III which considers just the five top-scoring and five bottom-scoring banks in each league. In each league, the average score of the top five banks was more than twice as great as the average score of the bottom five banks. Yet the total awards to the bottom five banks was in each case significantly greater — \$9.65 million vs. \$4.30 million in League I and \$6.15 million vs. \$4.05 million in League II. (The average award/bid percentage was higher for the top banks in League I, but lower for the top banks in League II.)

When banks are grouped into quartiles, the distribution of total awards is somewhat skewed toward the lower scoring quartiles. In League

Table I
 Massachusetts Linked Deposit Program -- May 1985
 Scores and Awards of Individual Banks
 (Bids & awards are totals of 6-mo. + 12-mo. amounts, in \$000's)
 League I -- All Commercial Banks (38 Banks)

Bank Code	LDP Score	Bid	Actual		Calculated by Treasurer's Formula		Actual Award / Calc Award %
			Total Award	Award / Bid %	Total Award	Award / Bid %	
270	2.773	5000	1300	26%	5000	100%	26%
228	1.913	100	100	100%	100	100%	100%
237	1.854	2000	900	45%	2000	100%	45%
231	1.747	1000	1000	100%	1000	100%	100%
201	1.718	5000	1000	20%	3643	73%	27%
264	1.702	1300	1000	77%	1300	100%	77%
216	1.682	3200	1500	47%	1541	48%	97%
288	1.648	5000	2500	50%	1510	30%	166%
248	1.608	3900	1000	26%	1473	38%	68%
155	1.561	12000	3000	25%	1430	12%	210%
225	1.560	3500	2500	71%	1429	41%	175%
282	1.472	2500	2000	80%	1349	54%	148%
258	1.446	100	100	100%	100	100%	100%
210	1.440	2000	1500	75%	1319	66%	114%
255	1.413	1500	1500	100%	1294	86%	116%
219	1.409	2000	700	35%	1291	65%	54%
160	1.388	3500	1500	43%	1272	36%	118%
165	1.375	10000	2000	20%	1259	13%	159%
249	1.326	2000	800	40%	1215	61%	66%
267	1.310	6000	600	10%	1200	20%	50%
246	1.295	6000	3000	50%	1186	20%	253%
294	1.274	6000	1000	17%	1167	19%	86%
240	1.271	7000	600	9%	1164	17%	52%
222	1.262	500	500	100%	500	100%	100%
213	1.219	5000	2000	40%	1117	22%	179%
110	1.189	10000	5000	50%	1089	11%	459%
276	1.176	750	750	100%	750	100%	100%
252	1.154	1000	600	60%	1000	100%	60%
261	1.152	1000	1000	100%	1000	100%	100%
243	1.149	1400	600	43%	1053	75%	57%
150	1.032	10000	500	5%	945	9%	53%
285	0.985	3000	2000	67%	902	30%	222%
207	0.935	5000	1000	20%	857	17%	117%
204	0.891	5000	2000	40%	816	16%	245%
234	0.870	8000	2000	25%	797	10%	251%
105	0.866	9000	3750	42%	794	9%	473%
298	0.818	6000	1500	25%	750	12%	200%
291	0.752	1500	400	27%	689	46%	58%
		=====	=====		=====		
		157750	54700		47300		

Table II
 Massachusetts Linked Deposit Program -- May 1985
 Scores and Awards of Individual Banks
 (Bids & awards are totals of 6-mo. + 12-mo. amounts, in \$000's)
 League II -- All Thrift Institutions (34 Banks)

Bank Code	LDP Score	Bid	Actual		Calculated by Treasurer's Formula		Actual Award / Calc Award %
			Total Award	Award / Bid %	Total Award	Award / Bid %	
710	1.998	150	150	100%	150	100%	100%
425	1.610	5000	500	10%	4155	83%	12%
432	1.466	7000	1000	14%	4155	59%	24%
431	1.399	2000	1000	50%	1248	62%	80%
665	1.322	2800	1400	50%	1043	37%	134%
901	1.301	100	100	100%	100	100%	100%
507	1.245	3000	700	23%	982	33%	71%
605	1.195	1700	1300	76%	943	55%	138%
416	1.166	1000	600	60%	920	92%	65%
705	1.148	400	200	50%	400	100%	50%
504	1.135	1000	1000	100%	895	89%	112%
730	1.125	100	100	100%	100	100%	100%
428	1.061	5000	2000	40%	837	17%	239%
510	1.036	750	750	100%	750	100%	100%
740	1.034	140	140	100%	140	100%	100%
516	0.993	100	100	100%	100	100%	100%
440	0.978	15000	3000	20%	771	5%	389%
513	0.972	1000	500	50%	766	77%	65%
735	0.968	600	600	100%	600	100%	100%
413	0.935	1000	1000	100%	737	74%	136%
635	0.914	2000	1500	75%	721	36%	208%
404	0.897	2000	500	25%	708	35%	71%
434	0.895	3000	2000	67%	706	24%	283%
419	0.863	500	500	100%	500	100%	100%
407	0.862	4000	1500	38%	679	17%	221%
446	0.802	1000	1000	100%	633	63%	158%
519	0.790	1000	500	50%	623	62%	80%
422	0.783	500	400	80%	500	100%	80%
501	0.776	1000	400	40%	612	61%	65%
620	0.750	150	150	100%	150	100%	100%
437	0.724	1000	500	50%	571	57%	88%
650	0.706	500	500	100%	500	100%	100%
401	0.685	2000	1000	50%	540	27%	185%
443	0.590	5000	4000	80%	466	9%	859%
		=====	=====		=====		
		71490	30590		27700		

Table III

Massachusetts Linked Deposit Program -- May 1985
Scores and Awards: Summary Results

League I -- Commercial Banks

Rank	Bank Code	LDP Score	Actual		Calculated by Treasurer's Formula	
			Award (\$000)	Award / Bid%	Award (\$000)	Award / Bid%
1	270	2.773	1300	26%	5000	100%
2	228	1.913	100	100%	100	100%
3	237	1.854	900	45%	2000	100%
4	231	1.747	1000	100%	1000	100%
5	201	1.718	1000	20%	3643	73%
Top Five Banks		Average Score:	2.001		2.001	
		Average Award/Bid:	58%		95%	
		Total Awards:	4300		11743	
33	204	0.8911	2000	40%	848	17%
34	234	0.8701	2000	25%	828	10%
35	105	0.8663	3750	42%	824	9%
36	298	0.8183	1500	25%	778	13%
37	291	0.7524	400	27%	716	48%
Bottom Five Banks		Average Score:	0.840		0.840	
		Average Award/Bid:	32%		19%	
		Total Awards:	9650		3994	

League II -- Thrift Institutions

1	710	1.998	150	100%	150	100%
2	425	1.610	500	10%	4155	83%
3	432	1.466	1000	14%	4155	59%
4	431	1.399	1000	50%	1248	62%
5	665	1.322	1400	50%	1043	37%
Top Five Thrifts		Average Score:	1.559		1.559	
		Average Award/Bid:	45%		68%	
		Total Awards:	4050		10751	
30	620	0.750	150	100%	150	100%
31	437	0.724	500	50%	571	57%
32	650	0.706	500	100%	500	100%
33	401	0.685	1000	50%	540	27%
34	443	0.590	4000	80%	466	9%
Bottom Five Thrifts		Average Score:	0.691		0.691	
		Average Award/Bid:	76%		59%	
		Total Awards:	6150		2227	

I this effect is very slight: the top-scoring quarter of banks received 25% of total awards, the top-scoring half of banks received 48% of total awards; the top-scoring three-quarters of banks received 75% of total awards. In League II the skewing is more pronounced: the top-scoring quarter of banks received just 21% of total awards; the top-scoring half, 46%; and the top-scoring three-quarters, 74%. If each quarter received 25% of the total awards, that would indicate no linkage between scores and awards; these results indicate in fact a slight negative relationship [5].

The suggestion of a negative linkage of scores and actual awards is reinforced by a review of the banks receiving the largest awards. In League II, in fact, the largest single award went to the bank with the worst score of the 34 participating banks; the second largest went to the bank with the 17th best score, and the banks scoring 13th and 23rd tied for the third largest award. In League I, there were 38 participating banks: the largest award went to the bank ranked 26th by score, the second largest to the bank ranked 36th, and the third largest award was again shared by two banks, in this case those with the 10th and 21st best scores.

The Treasurer's Formula: Linkage of Scores and Awards

The lack of linkage between bank scores and actual awards in May 1985 did not result from a flaw in the Treasurer's new allocation formula, but rather from the failure of the Treasurer to base awards on the amounts that application of this formula would have determined. These amounts were calculated for this report. Each bank's hypothetical

award calculated this way, and its hypothetical calculated award as a percentage of its bid, are shown in the sixth and seventh columns of Tables I and II. Inspection of these columns indicates that banks located higher in the tables (that is, that have higher LDP scores) tend to have both greater dollar awards and greater award/bid percentages. The right hand side of Table III summarizes the results for the five best- and worst-scoring banks in each League. In League I, the top-scoring banks would have received \$11.74 million vs. \$3.99 million for their bottom-scoring counterparts (and an average award/bid percentage of 95% vs. 19%). In League II, the dollar spread would have been even more pronounced — \$10.75 million vs. \$2.23 million — while the average award/bid percentages would have differed by less (68% vs. 59%).

Adherence to the stated allocation formula would also have resulted in the three biggest awards going to high-scoring rather than low-scoring banks: those scoring first, fifth, and third, respectively in League I, and those scoring second, third, and fourth in League II. (They wouldn't have gone automatically to the banks scoring first, second, and third, because some banks bid for less than the amount that they could have received under the formula; for example, the top-scoring bank in League II bid for only \$150 thousand, while it could have received as much as \$4.155 million [6].

When banks are grouped into quartiles by LDP scores, awards calculated by the Treasurer's new formula would have gone disproportionately to the better-scoring banks. In League I, the top-scoring quarter of banks would have received 39% of the total calculated awards; the top-scoring half would have received 64%; and the top-scoring three-quarters, 83%. The corresponding figures for League II

indicate an even stronger positive link of scores and awards: 48% to the top-scoring quarter of banks; 64% to the top-scoring half; and 85% to the top-scoring three-quarters.

In sum, if May 1985 LDP awards had been based solely on the Treasurer's new allocation formula, there would have been a very clear link between the LDP scores of individual banks and the LDP awards made to those banks.

The Discrepancy Between Actual and Calculated Awards

The extent of the discrepancy between the awards actually received by individual banks, and the hypothetical calculated awards that they would have received under strict application of the Treasurer's allocation formula is indicated by the previously summarized results. It is made explicit in the right-hand columns of Tables I and II, which show the actual award as a percentage of the calculated award for each individual bank. These percentages range from 12% to 859%.

The main reason for the discrepancy is that the Treasurer decided to use the previously-quoted [p. 10, above] provision concerning the allocation of funds so that in May 1985 no bank would experience an involuntary decline in its holdings of linked deposit funds. Each bank whose calculated award was less than the amount of its maturing linked deposits received an award equal to the latter amount (unless it bid for less, as did one bank in League II).

The Treasurer implemented this decision in a way that not only eliminated any "round two awards" but also resulted in the total amount awarded substantially exceeding the "anticipated award amount(s)" announced in the his April 23 letter to banks. League I awards were

\$54.7 million rather than \$47.3 million, while League II awards were \$30.59 million rather than \$27.7 million. The overall total of \$85.29 million was slightly over \$10 million more than the anticipated amount.

While this is the main factor accounting for the discrepancy, it provides an insufficient explanation for the deviations between the actual pattern of awards made and those that would have been made as a result of strict application of the Treasurer's new formula. As is shown in the tables on pages S17 and S18 of the Statistical Appendix to this report, 15 of the 38 banks in League I, and 12 of the 34 banks in League II, received actual awards less than their calculated share of the anticipated award amount (i.e., their LDP score as a decimal fraction of the total of the scores of all banks in their league times the "anticipated award amount" for their league as announced by the Treasurer), and also less than their bids. The median percentage shortfall for these 15 banks in League I was 42% of the calculated award; for the 12 banks in League II, it was 29%. In response to a question about this, the Treasurer's office told me that if these banks had been awarded more than they actually were awarded, their total holdings of state deposits would have exceeded the maximum amounts for which they were eligible. As noted in Part II, above, this statement is not verifiable on the basis of information that the banks provide on their linked deposit bid forms; I have not pursued this matter further.

Other Findings

Analysis of the data obtained from the banks' linked deposit bid forms and from the Treasurer's list of linked deposit awards makes possible a number of additional findings concerning the results of the May 1985 implementation of the Massachusetts LDP's revised forms and procedures. Some of the most significant and interesting of these are reported here. The interested reader may use the data provided in the Statistical Appendix to make additional calculations and comparisons on matters of particular interest, including questions concerning the scores, bids, and awards of specific individual banks.

1. As would be expected given the nature of the new "maintenance of effort" formula [see pp. 8-9, above], no bank failed to satisfy the maintenance of effort criterion, although seven banks would not have satisfied the criterion if the "before" and "after" comparison had been done on the basis only of the four categories for which both before and after numbers were reported [7].

2. Almost three-quarters of the banks receiving awards in May 1985 (53 of 72 banks) were of the type and size for which the minimum required interest rate bid is 75 basis points below the current market rate [see pp. 4-5, above]. Of the other 19 banks, 6 were larger commercial banks (4 required to bid within 50 basis points of the market rate and 2 required to bid the market rate itself), and 13 were smaller thrift institutions eligible to bid 100 basis points below the market rate.

3. The figures in the preceding paragraph are based on classifying banks according to their minimum required interest rate bid, as determined by bank type and size. In fact, even though the stated rules

provide no advantage for doing so, many banks bid more than the minimum interest rate required of them. In most cases the resulting excess interest payments to the Treasury are small, but one commercial bank bid -- and is now paying -- 200 basis points more than necessary on a \$2 million one-year deposit (total excess interest of \$40,000), while one thrift institution is paying 125 unnecessary basis points on a \$3 million one-year deposit (total excess interest of \$37,500). Altogether, 30 banks will pay the Treasury a total of over \$152,000 in excess interest on the deposits awarded in May 1985 [8].

4. The Treasurer's new allocation formula results in a substantial minimum deposit for any eligible bank that submits a qualifying bid. While the precise amount of the award for the worst-scoring bank would depend on its score, the total of the scores of all banks in its league, and the anticipated amount of awards for the league, calculated awards for the worst scoring banks in Leagues I and II in May 1985 were \$689 thousand and \$466 thousand, respectively.

5. Inspection of the table showing deposits held by individual banks over the last three years [Statistical Appendix, pp. S8-S10] shows that there are very few cases where an individual bank's holdings of linked deposits have declined from one period to the next. When I have had the data necessary to investigate these declines, they invariably have been voluntary in the sense that the bank in question bid for less than the amount of its maturing linked deposit holdings. This set of data provides further evidence consistent with the hypothesis [Private Banks and Public Money, pp. 36-38] that the primary factor determining linked deposit awards in recent years has been the amounts of maturing deposits at individual banks.

IV. CONCLUSIONS AND RECOMMENDATIONS

The principal conclusion that emerges from the analysis presented in the body of this report is that, in spite of the significant improvements introduced in May 1985, the two major conclusions of our previous study remain valid:

First, there is in fact no linkage in the Massachusetts linked deposit program as it is currently operated; deposits are allocated among banks independently of the banks' linked deposit scores as determined by the Treasurer's own scoring formula....Second, and more generally, the Massachusetts LDP falls far short of being "well-designed, well-implemented, and well-publicized" -- that is, it fails to meet the three-part criterion originally set forth by the Special Commission on State Investment. [Private Banks and Public Money, p. 40; emphasis in original]

In response to the continued lack of linkage between scores and awards, the Treasurer could alter his plans for a gradual two-year period of transition to exclusive reliance on the new formula for allocating linked deposit awards among banks. There is no apparent reason why the Treasurer could not, or should not, rely exclusively on his new allocation formula during the next bidding cycle (May 1986), and thereby give no weight to a bank's previous holdings of linked deposits. This one-year acceleration of the planned two-year transition to the new method for allocating funds could be accompanied by ample advance notification to banks, and supplemented with a revised provision for responding to the possible problems created for individual banks by the sudden withdrawal of LDP funds [see pp. 10-11, above].

In addition, several other changes in program design could result in further improvements in the Massachusetts LDP. The maintenance of effort

requirement could be abandoned. Banks could be required to demonstrate that they are not bidding for more state funds than the maximum that they are eligible to hold. Differences between the minimum interest rates required of League I and League II banks of the same size could be eliminated. LDP scores and awards could be aggressively publicized.

Finally, it should be noted that neither this report nor its predecessor has addressed the question of whether even a "well-designed, well-implemented, and well-publicized" linked deposit program could be effective in achieving its stated goal of influencing bank behavior in ways that will change the level and pattern of bank lending -- and thus of economic activity and economic welfare -- within the Commonwealth. My next report on the Massachusetts LDP will be concerned with this issue.

NOTES

1. A preliminary version of this paper was presented at the Annual Conference of the Northeast Business and Economic Association in Baltimore, Maryland on November 8, 1985. Thanks are due to the McCormack Institute of Public Affairs at the University of Massachusetts/Boston, and particularly to its Director, Edmund Beard, for support and encouragement; to Mark Preble for research and computational assistance; and to the Massachusetts Treasurer's Office, particularly Deputy Treasurer Patrick D. Sullivan, for cooperation and assistance, and for reviewing the final draft during December 1985 for possible errors and omissions.
2. Deputy Treasurer Sullivan asked me to work with him and his staff on this project of review and revision, and I was pleased to be able to do so. Between January and March of 1985 I participated in a number of meetings at the Treasurer's office. Some of my suggestions were adopted by the Treasurer, while others were not.
3. Private Banks and Public Money was written in the belief that "excess interest points" were included in calculating the LDP scores intended for use in making awards, and this still seems to me the most reasonable reading of the relevant sections of the then-current "Link Deposit Program Supplement" and "Link Deposit Bid Form" [these are reproduced in an appendix to that report; see in particular pp. A4 and A8]. However, I was told orally by the Treasurer's office in early 1985 that interest rates were never taken into account in determining linked deposit awards. Although scores both with and without excess interest rate points were calculated and were shown in the tables of the earlier report, the analysis of the lack of linkage between scores and awards was carried out using the total LDP score, including excess interest rate points. Nevertheless, I have no reason to believe that any of the conclusions of my previous report would have been significantly altered if the analysis had been carried out using LDP scores exclusive of interest rate points.
4. One possible argument is that the bid form would become longer and more complex. Considered in itself, this seems a relatively minor cost when set against the benefits provided by a more informative form. In addition, it should be noted that the net result of simultaneously dropping the maintenance of effort requirement (as proposed in the preceding paragraph of the text) and introducing the changes recommended here would be a bid form and a set of instructions both of which would be shorter and simpler than those now in use.
5. These quartile percentages were extrapolated from the cumulative percentages shown in the right-hand columns of the tables on pages S13 and S14 of the Statistical Appendix. For example, the percentage for the top quartile of League I, which consisted of 38 banks in May

1985, was extrapolated as halfway between the cumulative percentages for the top 9 and the top 10 banks.

6. The Treasurer's new allocation formula limits any single bank to 15% of the total amount awarded in its League. If the total awards in League II equaled the anticipated award amount of \$27.7 million announced by the Treasurer, then the 15% limit would be set at \$4.155 million. This limit would have come into play for two banks in League II if the Treasurer's formula had been strictly followed; as shown on page S16 of the Statistical Appendix, the banks (bank codes 425 and 432) with the second and third highest scores each bid for more than this amount, and each would have had its "round 2 award" limited in order to avoid exceeding this amount. The 15% limit would not have come into play in League I in May 1985.
7. This analysis is based on data extracted from the individual linked deposit bid forms but not reported in the Statistical Appendix of this report. The seven banks which reported a smaller total for the four categories of loans for March 30, 1985 than for September 30, 1984 (that is, who reported a lower value for "E" than for "G" on their May 1985 linked deposit bid forms) had the following bank codes: 201, 213, and 234 in League I, and 434, 635, 705, and 730 in League II. (The first table in the Statistical Appendix contains a list of individual participating banks and the bank codes assigned to them for this study.)
8. The statements in this paragraph also are based on information obtained from the individual linked deposit bid forms but not reported in detail in this study. The bank paying \$40,000 in unnecessary interest has bank code 234, and the bank paying \$37,500 in unnecessary interest has bank code 440. The bank codes of other banks paying \$5,000 or more in unnecessary interest, together with the excess interest paid, are as follows: #210 (\$11,250); #432 (\$10,300); #248 (\$8,750); and #401 (\$5,000). These 6 banks account for 74% of the \$152,558 total excess interest paid by 30 banks.

REVISED LINKED DEPOSIT PROGRAM MATERIALS
DISTRIBUTED BY THE TREASURER OF MASSACHUSETTS
MAY 1985

AN APPENDIX

to

PUBLIC POLICY AND THE MISSING LINK:
A PROGRESS REPORT ON THE DESIGN AND IMPLEMENTATION
OF THE MASSACHUSETTS LINKED DEPOSIT PROGRAM

by

James T. Campen

December 1985

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The Commonwealth of Massachusetts

Treasury Department

State House, Boston 02133

Robert Q. Crane

Treasurer and Receiver General

April 23, 1985

On May 17, 1985 awards to banks will be made on the basis of a Link Deposit Score.

The anticipated award amount for League I will be \$47,300,000., and \$27,700,000. for League II.

Enclosed is our Link Deposit Supplement together with the Link Deposit Maintenance of Effort and Bid Form.

Also enclosed is our Link Deposit Guide so you can have at hand the dates and pertinent information necessary to comply with the Link Deposit Program.

Your bid form can be completed by utilizing the information which is contained in your latest Call Reports and Community Reinvestment Act Statements.

If you have any further questions, please do not hesitate to contact us on (617)727-2014.

Sincerely,

A handwritten signature in cursive script that reads "Robert Q. Crane".

Robert Q. Crane
Treasurer and Receiver-General

RQC/mjes

LINK DEPOSIT PROGRAM GUIDE

* * * * *

CORRESPONDENCE

- ALL MAILINGS REGARDING THIS PROGRAM SHOULD BE FORWARDED TO:

PATRICK D. SULLIVAN,
DEPUTY STATE TREASURER
INVESTMENT DIVISION
STATE HOUSE ROOM 227
BOSTON, MASS. 02133

TAX IDENTIFICATION

- 04-6002284 - The Commonwealth of Massachusetts is totally exempt from all withholding taxes. Please use said number on all Commonwealth of Massachusetts term deposit certificates.

MAY 9, 1985

- Completed Link Deposit Forms should be forwarded to the Treasurer's Office by certified mail - return receipt.
- Bid forms postmarked after May 9, 1985 will not be accepted.

MAY 16, 1985

- All banks who submitted bids will be notified of the results after 2:00 P.M.

Those banks who will be receiving awards will be given pertinent information regarding wiring of monies and issuance of Certificates of Deposits.

MAY 17, 1985

- Link Deposit Awards will be made.

Banks receiving awards must issue a Certificate of Deposit dated May 17, 1985 and forward same to the Treasurer's Office the same day.

INVESTMENT FACT SHEETS

- After Certificates of Deposits are received at the Treasurer's Office an Investment Fact Sheet detailing said investment will be forwarded to those banks receiving awards.

INTEREST AND REDEMPTION

- All monies due the Commonwealth on Certificate of Deposits to be dated May 17, 1985 must be payable through the N.E.A.C.H. System.

Interest payments will be due on the last business day of each month effective June 28, 1985 on Certificate of Deposits dated May 17, 1985.

LINK DEPOSIT PROGRAM SUPPLEMENT

* * * * *

The Link Deposit Program has been designed to provide a fair return to the Commonwealth while redirecting state funds to instate banks for aiding and benefiting the people of Massachusetts. Time deposits will be awarded under this program to banks located in Massachusetts which receive the highest ratings based on the criteria set out below.

This supplement has been designed to explain the accompanying form section by section. If you have any further questions you can contact this office at (617)-727-2014.

I. CURRENT DEPOSITS:

List on the appropriate line the total Link Deposits and General Fund Deposits that the bank holds maturing on the noted maturities as of May 9, 1985.

II. MAINTENANCE OF EFFORT:

NOTE: Only those banks holding Link Deposits as of March 30, 1985 are required to fill out section II. Those banks that are new to this program may continue to part III.

II-a

A.) List the total Link Deposits held by the bank as of March 30, 1985.

B.) List the total Link Deposits held by the bank as of September 30, 1984.

C.) List the change in Link Deposit Funds. Please note any increase with a plus sign and any decrease with a minus sign.

D.) Multiply the dollar amount of increase of funds (part C) by 70%. Please maintain the plus or minus sign from part C.

E.) Total dollar value of the following:

1.) All loans to small business, defined as having no more than 500 employees; no more than \$5 million in total assets; no more than \$250,000. net before tax profit; no more than \$2.5 million in net worth.

2.) All student HELP loans

3.) All investment instruments issued by public entities located in Massachusetts.

4.) Annual dollar value of Food Stamps distributed.

Enter the grand total of the four categories at the bottom. Round off the figure to the nearest thousands.

F.) Use only the total low income mortgages written in the calendar year of 1984. Round off to the nearest thousands.

Housing loans limited to:

All mortgages and home improvement loans given in the census tract areas appearing in the "LISTING BY CENSUS TRACTS - AREAS WHERE AVERAGE FAMILY INCOME IS LESS THAN 85% OF THE STATE AVERAGE", include 1 to 4 family, conventional, FHA-VA, 5 unit and commercial.

G.) Use only the total of the following loan categories from the Maintenance of Effort form filed back in October, November 1984. Round off to the nearest thousands.

NOTE: BANKS THAT WERE NEW TO THIS PROGRAM IN THE BID CYCLE OF NOVEMBER 1984 OR BANKS REENTERING THE PROGRAM; THAT HAD NO LINK DEPOSIT AS OF SEPTEMBER 30, 1984, ARE TO REPORT ZERO IN PART G. ALL OTHER BANKS SHOULD HAVE FILED A MAINTENANCE OF EFFORT ON OCTOBER 22, 1984. THOSE BANKS THAT DID NOT FILE A MAINTENANCE FORM ARE IN DIRECT VIOLATION OF THIS PROGRAM AND CAN NOT PARTICIPATE IN THIS BID CYCLE.

Total small business loans

Total Student HELP loans

Total investment instruments

Total annual dollar value of food stamp distribution

H.) Take the adjusted total from the Maintenance Form filed back in November 1984 (part G) and subtract it from the total of loan categories reported as of March 30, 1985 (part E). Then add the total of new low income mortgages reported in calendar year 1984 (part F). This figure should have been rounded to the nearest thousands.

BANKS QUALIFY FOR THIS BID CYCLE IF 70% OF THE CHANGE IN FUNDS (part D) IS LESS THAN OR EQUAL TO THE CHANGE IN THE TWO CURRENT MAINTENANCE FORMS (PART H).

$$D \leq H$$

If the bank qualifies and wishes to bid then continue to Section III. If the bank either does not qualify or does not desire to bid in the current program then you must sign the bottom of page 2 and forward the form to the State Treasurer's Office.

III. BID STATUS:

Participation in the Link Deposit Program System is voluntary. Any financial institution which can legally receive public deposits is eligible. Pending authorizing legislation, this will exclude credit unions. To encourage fair competition in the bidding for public funds, leagues have been established. Interested institutions will compete only with other banks in their leagues. The leagues are as follows:

LEAGUE	I	A	Commercial Banks with assets over one billion dollars
LEAGUE	I	B	Commercial Banks with assets under one billion dollars and over 500 million dollars
LEAGUE	I	C	Commercial Banks with assets under 500 million dollars
LEAGUE	II	A	Co-operative Banks, Federal Savings & Loans and Savings Banks with assets over 100 million dollars
LEAGUE	II	A	Co-operative Banks, Federal Savings & Loans and Savings Banks with assets under 100 million dollars

IV. MAXIMUM DEPOSIT AMOUNT AND TERM:

Commercials, savings, co-operatives and savings and loans may bid for any amount of deposits so long as a winning bid does not violate any limitation or restriction imposed under Massachusetts General Laws or any applicable federal statute (restrictions may be waived. See MGLA, Chapter 170, Section 16).

The following term deposits are being put out for bid:

12 MONTH TERM DEPOSIT - May 16, 1986 (364 days)

6 MONTH TERM DEPOSIT - November 8, 1985 (175 days)

V. ESTABLISHMENT OF MINIMUM RATES:

Interest rate minimums will be established at the time applications are solicited.

LEAGUE I A.: The minimum acceptable interest rate will be the Money Rate for Certificates of Deposit, one million dollars (\$100,000. units) as published in the Wall Street Journal Thursday May 9, 1985.
(6 month term deposit - 12 month term deposit)

LEAGUE I B.: The minimum acceptable interest rate will be 50 basis points below the rate established for League I A
(6 month term deposit - 12 month term deposit)

LEAGUE I C.: The minimum acceptable interest rate will be 75 basis points below the rate established for League I A
(6 month term deposit - 12 month term deposit)

LEAGUE II A.: The minimum acceptable interest rate will be the Money Rate for Certificates of Deposit, one million dollars (\$100,000. units) as published in the Wall Street Journal Thursday May 9, 1985 less 75 basis points
(6 month term deposit - 12 month term deposit)

LEAGUE II B.: The minimum acceptable interest rate will be 100 basis points below the rate established in the Wall Street Journal Thursday May 9, 1985.
(6 month term deposit - 12 month term deposit)

VI. LINK DEPOSIT SCORE:

The Link Deposit Score will be computed by each bank as part of its bid submission. This score can be obtained by inserting the amount of the component described below in the following formula:

$$\frac{A + B}{C} = \text{Link Deposit Score}$$

A.) Total dollar value of the following loans made in Massachusetts:

1.) All loans to small business, defined as having no more than 500 employees; no more than \$5 million in total assets; no more than \$250,000. net before tax profit; and no more than \$2.5 million in net worth.

2.) All student HELP loans

3.) All investment instruments issued by public entities located in Massachusetts.

4.) Annual dollar value of Food Stamps distributed.

5.) Housing loans limited to:

All mortgages and home improvement loans given in the census tract areas appearing in the "LISTING BY CENSUS TRACTS - AREAS WHERE AVERAGE FAMILY INCOME IS LESS THAN 85% OF THE STATE AVERAGE", include 1 to 4 family, conventional, FHA-VA, 5 unit and commercial.

Use only the total low income mortgages written in the calendar year of 1984. Round off to the nearest thousands.

B.) Total dollar value of all deposits located in Massachusetts, including repurchase agreements.

C.) Total dollar value of:

1.) Instate loans, including loans secured by real property in the state.

2.) Investment instruments issued by public entities located in Massachusetts.

3.) Investments in direct obligations of the United States Government or its Agencies identified as collateral for Repurchase Agreements located in Massachusetts.

VIII. MAINTENANCE OF EFFORT AND NON-DISCRIMINATION REQUIREMENTS:

As part of the Link Deposit bidding process, the participating bank will be required to sign a maintenance of effort and non-discrimination statement. The Treasurer's Office with the assistance of the Banking Commissioners' Office will monitor compliance with the system.

IX. LINK DEPOSIT PAYMENTS THROUGH N.E.A.C.H.:

In order for the Treasurer's Office to receive its interest and maturity principal on the dates due, it will be necessary for the selected banks to allow the State Treasurer's Office to directly charge an account within the bank, or if the bank is not a member of the N.E.A.C.H., a charge will be made to an account in a correspondent bank who is a member of the N.E.A.C.H. System.

Each bank will sign and forward along with their bid the attached form authorizing the State Treasurer to charge the account they have assigned

Once the bank is selected and the interest payments are determined, each selected bank will be supplied by the Treasurer's Office a listing showing the date and amount of interest due and the date and amount of the principal maturity.

On the last business day of each month, the Treasurer's Office will charge the bank account number you have supplied using the N.E.A.C.H.

This procedure will allow this office to decrease its clerical work along with eliminating any float due to late payments or lost checks.

The interest payments due the Commonwealth on certificates of deposits dated May 17, 1985 will commence on June 28, 1985.

X. ALLOCATION OF FUNDS

When all timely bids are received by this office the banks with a Link Deposit Scores above .5000 will be grouped by leagues. A total of the Link Deposit Scores will be calculated for each individual league. Then a percentage for each banks scores in respect to its league total will be calculated.

Each eligible bank will receive the assigned percentage of the awards to be given in its league provided that the percentage in the league does not exceed 15% of the total amount awarded in that league, and the amount awarded to a bank cannot exceed the amount bid or the total amount that the bank may hold on deposit as outlined by this program.

The funds not awarded by this process within a league, in part or whole, will be awarded starting with the bank with the highest Link Deposit Score and working down to the lowest providing the above regulations are not violated.

Any funds within a league not awarded by the above methods will not be awarded.

The term of the awards will depend on the bids and the discretion of the committee.

Those banks who bid for funds and who have been participants in the program as of 3/30/85 and who do not receive an allocation equal to their upcoming maturities may receive additional funds not to exceed said maturities, at the discretion of the Treasurer.

The Treasurer reserves the right to reject any or all bids in whole or part.

LINK DEPOSIT BID FORM
DATED MAY 9, 1985

* * * * *

BANK: _____ TEL: _____

OFFICER: _____ TITLE: _____

ADDRESS: _____
STREET CITY/TOWN ZIP

I TOTAL CURRENT DEPOSITS WITH THE COMMONWEALTH MATURING ON:

MAY 17, 1985: _____ NOV. 8, 1985 _____

* * * * *

(SECTION II-a & II-b ARE FOR BANKS CURRENTLY IN THE LINK DEPOSIT PROGRAM)

II-a MAINTENANCE OF EFFORT:

A. FUNDS ON DEPOSIT AS OF MAR. 30, 1985 _____

B. FUNDS ON DEPOSIT AS OF SEPT. 30, 1984 _____

C. THE CHANGE IN FUNDS (C = A - B) _____

D. C * 70% = D ----- _____

E. LOANS OUTSTANDING AS OF
MARCH 30, 1985 (UNLESS NOTED)
(NEAREST THOUSANDS)

1.) TOTAL SMALL BUSINESS LOANS \$ _____

2.) TOTAL STUDENT HELP LOANS \$ _____

3.) TOTAL INVESTMENT INSTRUMENTS \$ _____

4.) TOTAL ANNUAL DOLLAR VALUE OF
FOOD STAMP DISTRIBUTION \$ _____

E.: GRAND TOTAL: \$ _____

F. TOTAL LOW INCOME MORTGAGES
FOR CALENDAR YEAR 1984

\$ _____

G. THE ADJUSTED TOTAL FROM THE MAINTENANCE OF EFFORT REPORTED AS OF SEPTEMBER 30, 1984: (See Section G of the supplement for the banks that should report zero. If this form was not filed and should have been, the bank is in direct violation of this program and can not participate in this bid cycle)

G.: \$ _____

H. E - G + F = H ----- \$ _____

* * * * *

II-b (FIGURES USED FROM II-a FOR BANKS CURRENTLY ACTIVE)

THE BANK QUALIFIES FOR THE CURRENT PROGRAM IF 70 % OF THE CHANGE IN FUNDS (D) IS LESS THAN OR EQUAL TO THE CHANGE IN THE TWO CURRENT MAINTENANCE FORMS (H).

IF THE BANK QUALIFIES AND INTENDS TO BID THEN CONTINUE TO PART III.
IF THE BANK CURRENTLY ACTIVE DOES NOT WISH TO BID AT THIS TIME OR
DOES NOT QUALIFY THEN AN AUTHORIZED OFFICER MUST SIGN BELOW AND
RETURN THIS FORM TO THE STATE TREASURER'S OFFICE

DATE: _____

SIGNATURE: _____

TITLE: _____

* * * * *

BID FORM

* * * * *

III BID STATUS

CHECK ONE

LEAGUE I - COMMERCIAL BANKS -

- _____ A.) COMMERCIAL BANKS WITH ASSETS OVER ONE BILLION THE BID RATE IS TO BE NO LOWER THAN THE JOURNAL RATE OF MAY 9, 1985.
- _____ B.) COMMERCIAL BANKS WITH ASSETS BETWEEN 500 MILLION AND ONE BILLION THE BID RATE IS TO BE NO LOWER THAN THE JOURNAL RATE OF MAY 9, 1985 LESS 50 BASIS POINTS.
- _____ C.) COMMERCIAL BANKS WITH ASSETS UNDER 500 MILLION THE BID RATE IS TO BE NO LOWER THAN THE JOURNAL RATE OF MAY 9, 1985 LESS 75 BASIS POINTS.

LEAGUE II - SAVINGS BANKS, CO-OPERATIVE BANKS AND FEDERAL SAV. & LOAN

- _____ A.) SAVINGS BANKS, CO-OPERATIVE BANKS AND FEDERAL SAV. & LOAN WITH ASSETS OVER 100 MILLION THE BID RATE IS TO BE NO LOWER THAN THE JOURNAL RATE OF MAY 9, 1985 LESS 75 BASIS POINTS.
- _____ B.) SAVINGS BANKS, CO-OPERATIVE BANKS AND FEDERAL SAV. & LOAN WITH ASSETS UNDER 100 MILLION THE BID RATE IS TO BE NO LOWER THAN THE JOURNAL RATE OF MAY 9, 1985 LESS 100 BASIS POINTS.

* * * * *

IV. BID AMOUNT AND TERM

CHECK DESIRED TERM(S) AND FILL IN AMOUNT BID

6 MONTHS (175 DAYS): _____ \$ _____

12 MONTHS (364 DAYS): _____ \$ _____

* * * * *

V. BID RATES

(BIDDING LOWER THAN THE BANK'S LEAGUE MINIMUM AS OUTLINED IN SECTION III WILL DISQUALIFY THE ENTIRE BID)

6 MONTHS (175 DAYS) _____ %

12 MONTHS (364 DAYS) _____ %

* * * * *

VI. COMPUTATION OF LINK DEPOSIT SCORE:

A.

LOANS OUTSTANDING AS OF
MARCH 30, 1985 (UNLESS NOTED)
(NEAREST THOUSANDS)

- 1.) TOTAL SMALL BUSINESS LOANS \$ _____
 - 2.) TOTAL STUDENT HELP LOANS
MULTIPLIED BY 5 \$ _____
 - 3.) TOTAL INVESTMENT INSTRUMENTS \$ _____
 - 4.) TOTAL ANNUAL DOLLAR VALUE FOOD
STAMP DIST. MULTIPLIED BY 5 \$ _____
 - 5.) TOTAL LOW INCOME MORTGAGES
FOR 1984 MULTIPLIED BY 5 \$ _____
- A.: GRAND TOTAL: \$ _____

B. TOTAL INSTATE DEPOSITS \$ _____

C. TOTAL INSTATE LOANS \$ _____

D. USE THE FOLLOWING FORMULA TO COMPUTE THE BANK'S LINK DEPOSIT SCORE:

$$\frac{A + C}{B} = \text{LINK DEPOSIT SCORE}$$

$$+ \quad =$$

VII. FOR COMMERCIAL BANKS

TOTAL CAPITAL, SURPLUS, CAPITAL NOTES AND UNDIVIDED PROFITS:

\$ _____

VIII. MAINTENANCE OF EFFORT AND NON-DISCRIMINATION STATEMENT

AS A CONDITION OF AWARD THE BANK AGREES TO MAINTAIN ITS PRESENT LOAN EFFORT IN THE AREAS LISTED IN COMPONENT A ON THE BID FORM. THE BANK FURTHER AGREES TO INCREASE ITS LOANS IN THOSE AREAS BY AN AMOUNT EQUAL TO AT LEAST 70% OF THE AMOUNT OF THE TOTAL AWARD MADE TO THE BANK UNDER THIS PROGRAM.

THE BANK UNDERSTANDS AND ACKNOWLEDGES THAT IT WILL BE EXCLUDED FROM PARTICIPATION IN THE PROGRAM IN THE EVENT THAT IT IS REPORTED TO THE TREASURER'S OFFICE BY THE COMMISSIONER OF BANKING THAT THE BANK HAS BEEN CONVICTED OF ANY DISCRIMINATORY OFFENSE IN THE PAST THREE YEARS.

SIGNED: _____

* * * * *

IX. AUTHORIZATION OF N.E.A.C.H. SYSTEM:

I, _____, AS PART OF THE CONDITION OF ACCEPTING A DEPOSIT ON THE LINK DEPOSIT PROGRAM OF THE STATE TREASURER OF THE COMMONWEALTH OF MASSACHUSETTS DATED MAY 17, 1985 HEREBY AUTHORIZE HIM TO CHARGE BANK ACCOUNT NUMBER: _____, AT N.E.A.C.H. BANK: _____ WHICH IS LOCATED AT: _____, THE N.E.A.C.H. BANK'S ROUTING NUMBER IS : _____, FOR THE TOTAL INTEREST DUE ON THE LAST BUSINESS DAY OF EACH MONTH AND FOR THE TOTAL PRINCIPAL DUE AT MATURITY.

DATE: _____ SIGNED: _____

* * * * *

X. BANK CONTACT PERSON , PLEASE PRINT:

NAME: _____ TITLE: _____

TELEPHONE: _____

STATISTICAL APPENDIX

to

PUBLIC POLICY AND THE MISSING LINK:
A PROGRESS REPORT ON THE DESIGN AND IMPLEMENTATION
OF THE MASSACHUSETTS LINKED DEPOSIT PROGRAM

by

James T. Campen

December 1985

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Banks Participating in Massachusetts Linked Deposit Program
1982-1985

Bank Code	Old Code	Bank Name -- City/Town
[1]	[2]	-----
League I -- All Commercial Banks [3]		
105	I3	Capitol Bank and Trust -- Boston
110		Shawmut Bank of Boston
150		Patriot Bank -- Boston
155	I7	South Shore Bank and Trust -- Quincy
160	II30	U S Trust/Norfolk -- Braintree
165	I8	United States Trust -- Boston
201	II1	Bank of Boston/ Bristol County -- New Bedford
204	II3	Bank of Boston/ Norfolk -- Wellesley Hills
207	I2	Bank of Boston/ Western Mass -- Springfield
210	II5	Bank of New England/ Baystate -- Lawrence
213	II6	Bank of New England/ Bristol County -- Fall River
216		Bank of New England/ Worcester County -- Athol
219		Berkshire Bank and Trust -- Pittsfield
222	II8	Boston Bank of Commerce
225	II10	Century Bank and Trust -- Sommerville
228	II4	Century Bank/ Suffolk (Bank of Mass.) -- Chelsea [4]
231	II11	Century North Shore Bank and Trust -- Lynn
234	II13	Coolige Bank and Trust -- Watertown
237	II14	Durfee Attleboro Bank -- Fall River
240		Essexbank -- Peabody
243	II16	Gloucester National Bank
246		Guaranty First Trust -- Waltham
248	II17	Home National Bank -- Milford
249	II18	Lee National Bank
252	II19	Liberty Bank and Trust -- Boston
255	II20	Lincoln Trust -- Hingham
258	II22	Luzo Bank and Trust -- New Bedford
261	II23	Malden Trust
264	II24	Massachusetts Bank and Trust -- Brockton
267	I4	Mechanics Bank -- Worcester
270		Merchants National Bank -- Leominster
276	II25	Northeast National Bank -- Amesbury
279		Olympic International Bank and Trust -- Boston [5]
282	I5	Rockland Trust
285	I6	Security National Bank -- Danvers
288	II28	Shawmut Bank/ Bristol County -- New Bedford
291		Slades Ferry Trust -- Fall River
294	II32	U S Trust/ Middlesex -- Cambridge
298	II29	University Bank and Trust -- Chestnut Hill
301	I1	Bank of Boston/ Middlesex -- Burlington
307	I9	Bank of New England -- Boston
310	II7	Bank of New England/ North Shore -- Gloucester

313 II33 Brookline Trust
 316 II9 Cape Ann Bank and Trust -- Gloucester
 319 II12 Colonial National Bank -- Danvers
 322 II35 Commonwealth Bank and Trust -- Boston
 325 II36 Commonwealth Bank/ Norfolk County -- Brookline [6]
 328 II37 First Agricultural Bank -- Pittsfield
 331 II38 First National Bank of Malden
 334 II39 Hancock Bank and Trust -- Quincy
 337 II40 Harbor National Bank -- Boston
 343 II21 Lovell Bank and Trust
 346 Natick Trust
 349 II42 Old Colony/ Franklin County -- Shelburne Falls [6]
 352 II26 Park West Bank and Trust -- Springfield
 358 II44 Woburn National Bank
 361 II15 First National Bank of Athol

League II -- Thrift Institutions

401 Abington Savings Bank
 404 Berkshire County Savings Bank -- Pittsfield
 407 M1 Beverly Savings Bank
 410 M2 Boston Five Cent Savings Bank [5]
 413 M3 Bristol County Savings Bank -- Taunton
 416 M5 Community Savings Bank -- Holyoke
 419 M6 Danvers Savings Bank
 422 M8 Fall River Five Cent Savings Bank
 425 M9 First American Bank for Savings -- Boston
 428 M10 Heritage Bank for Savings -- Amherst
 431 M13 Hudson Savings Bank
 432 M25 Northhampton Institute for Savings
 434 M18 Peoples Savings Bank -- Holyoke
 437 M19 Peoples Savings Bank -- Worcester
 440 M20 Somerset Savings Bank -- Sommerville
 443 M21 South Boston Savings Bank
 446 M22 South Weymouth Savings Bank
 501 East Bridgewater Savings Bank
 504 M7 East Weymouth Savings Bank
 507 Florence Savings Bank
 510 M11 Hibernia Savings Bank -- Boston
 513 Landmark Bank for Savings -- Whitman
 516 M15 Merrimac Savings Bank
 519 Pentucket Five Cent Savings Bank
 551 M4 Clinton Savings Bank
 554 Cohasset Savings Bank
 557 M12 Home Savings Bank -- Boston
 560 M14 Massachusetts Bank for Savings -- Reading
 563 M24 Melrose Savings Bank
 566 M16 Mutual Bank for Savings -- Boston
 572 M17 Orange Savings Bank
 575 M23 Winchester Savings Bank
 578 M26 Worcester County Institution for Savings

605	C2	Central Cooperative Bank -- Somerville
620	C12	Norwood Cooperative Bank
635	C13	Pioneer Financial A Cooperative Bank -- Malden
650	C14	Quincy Cooperative Bank
665	C16	Workingmen's Cooperative Bank -- Boston
705	C1	Beacon Cooperative Bank -- Brighton
710	C3	Community Cooperative Bank -- Medford
730	C5	Economy Cooperative Bank -- Merrimac
735	C6	Everett Cooperative Bank
740	C15	Saugus Cooperative Bank
751	C17	Commonwealth Cooperative Bank -- Boston
753	C4	Coolidge Corner Cooperative Bank -- Brookline
761	C7	Glendale Cooperative Bank -- Everett
766	C8	Hillsdale-Cambridge Cooperative Bank -- Medford
771	C9	Hyde Park Cooperative Bank -- Boston
776	C10	Merchants Cooperative Bank -- Boston
781	C11	Mount Washington Cooperative Bank -- Boston
786	C18	New Bedford Acushnet Cooperative Bank
791		Stoneham Cooperative Bank
901	F4	Scituate Federal Savings and Loan
951	F5	Commonwealth Federal Savings and Loan
956	F1	Home Federal Savings and Loan -- Worcester
961	F2	Leader Federal Savings and Loan -- Lexington
966	F3	Milford Federal Savings and Loan

All notes are at end of statistical appendix.

Massachusetts Linked Deposit Awards to Individual Banks
 May 1982 -- May 1985
 (Awards are 6mo. + 12mo. amounts, in \$000's)

Bank Code	May 1982	Nov 1982	May 1983	Nov 1983	May 1984	Nov 1984	May 1985
League I -- All Commercial Banks							
105	3750	3000	3750	3000	3750	3000	3750
110	0	0	0	0	5000	5000	5000
150	0	0	0	0	0	0	500
155	2000	0	2000	2000	2000	4000	3000
160	0	2000	1000	2000	1500	2000	1500
165	2500	7500	8500	8000	6000	8000	2000
201	2000	1000	0	1000	1000	0	1000
204	1000	1000	1000	2000	0	2000	2000
207	2000	2500	1000	3000	2000	1000	1000
210	1000	0	1000	1000	1000	500	1500
213	0	1400	1000	2400	2000	2400	2000
216	0	0	0	0	1000	500	1500
219	0	0	0	0	0	1000	700
222	0	100	0	500	500	100	500
225	1000	2500	750	2500	2500	100	2500
228	100	150	250	150	100	150	100
231	400	500	900	500	500	500	1000
234	1000	0	2000	0	2000	1000	2000
237	2000	2000	2000	2000	1000	2000	900
240	0	0	0	0	0	2000	600
243	300	300	300	300	300	300	600
246	0	0	0	0	2000	1000	3000
248	1000	0	1390	2000	1000	2000	1000
249	0	300	374	400	400	400	800
252	0	500	100	300	0	1000	600
255	1000	500	1500	500	1000	500	1500
258	0	0	0	100	100	100	100
261	1000	1000	0	1000	1000	0	1000
264	1000	0	0	1000	1000	1000	1000
267	1000	1000	1000	1000	0	0	600
270	0	0	0	0	0	0	1300
276	0	500	500	500	750	750	750
282	2700	1500	2700	1500	2700	4000	2000
285	2000	2000	2000	2000	2000	2000	2000
288	2000	500	2500	500	2500	500	2500
291	0	0	0	0	0	0	400
294	1000	0	1000	1000	1000	1000	1000
298	1200	1000	1200	1000	1500	1000	1500
301	1000	1000	1000	1000	1000	1000	0
307	1000	0	0	0	0	0	0
310	0	0	0	600	0	300	0
313	0	500	0	0	0	0	0
316	400	400	200	0	0	0	0
319	400	0	400	0	0	0	0
322	0	500	0	0	400	0	0
325	0	500	0	0	0	0	0

Bank Code	May 1982	Nov 1982	May 1983	Nov 1983	May 1984	Nov 1984	May 1985
328	1000	2000	0	0	0	0	0
331	1000	0	0	0	0	0	0
334	1000	0	0	0	0	0	0
337	1000	1500	0	0	0	0	0
343	1300	1000	2300	0	0	0	0
346	0	0	0	0	0	1000	0
349	0	500	0	0	0	0	0
352	0	250	250	0	500	0	0
358	0	100	0	0	0	0	0
361	0	500	750	0	0	0	0
League I Total	41050	41500	44614	44750	51000	53100	54700

League II -- Thrift Institutions

401	0	0	0	0	1000	0	1000
404	0	0	0	0	0	500	500
407	1000	0	500	500	1000	500	1500
410	10000	10000	10000	0	0	0	0
413	0	0	500	500	1000	1000	1000
416	0	0	250	0	500	0	600
419	0	500	500	500	500	500	500
422	0	400	250	500	250	500	400
425	0	4000	500	4000	500	4000	500
428	2000	500	1000	500	2000	500	2000
431	1000	0	1000	0	1000	1000	1000
432	0	750	0	0	0	1000	1000
434	0	500	500	1000	1500	500	2000
437	2000	2000	0	2000	500	2000	500
440	1000	2750	1000	3000	6000	4500	3000
443	3500	5250	3500	0	8000	4000	4000
446	1000	500	1000	500	1000	500	1000
501	0	0	0	0	0	0	400
504	1000	1000	100	1000	1000	1000	1000
507	0	0	0	0	0	500	700
510	13000	200	1300	750	750	750	750
513	0	0	0	0	0	0	500
516	100	0	100	100	100	100	100
519	0	0	0	0	0	500	500
551	0	0	100	0	0	0	0
554	0	0	0	0	250	250	0
557	0	0	100	0	0	0	0
560	0	0	1000	0	0	0	0
563	0	500	0	0	0	0	0
566	0	0	0	0	0	0	0
572	1000	200	1000	200	1000	0	0
575	0	0	200	300	0	0	0
578	2000	0	0	0	0	0	0
Savings Banks Sub-Total	38600	29050	24400	15350	27850	24100	24450

Bank Code	May 1982	Nov 1982	May 1983	Nov 1983	May 1984	Nov 1984	May 1985
605	1300	600	1300	600	1300	700	1300
620	0	150	250	250	250	100	150
635	0	500	500	500	1000	500	1500
650	0	500	500	500	500	500	500
665	0	1400	1400	1400	1400	1000	1400
705	0	200	100	200	200	300	200
710	150	0	150	150	150	150	150
730	100	500	100	50	100	100	100
735	300	300	300	300	600	0	600
740	0	0	10	20	30	200	140
751	0	1600	0	0	0	0	0
753	0	100	150	0	0	0	0
761	250	0	0	100	0	0	0
766	200	0	0	0	0	0	0
771	150	0	150	0	150	0	0
776	0	2000	500	2000	500	2000	0
781	400	400	400	400	0	400	0
786	0	0	0	0	0	0	0
791	0	0	0	0	0	200	0
Coop Bank	-----	-----	-----	-----	-----	-----	-----
Sub-Total	2850	8250	5810	6470	6180	6150	6040
901	100	0	100	0	100	0	100
951	100	0	0	0	0	0	0
956	0	100	100	0	0	0	0
961	100	0	100	0	0	100	0
966	0	100	0	100	0	100	0
Federal S & L	-----	-----	-----	-----	-----	-----	-----
Sub-Total	300	200	300	100	100	200	100
League II	=====	=====	=====	=====	=====	=====	=====
Total	41750	37500	30510	21920	34130	30450	30590
Grand Total	=====	=====	=====	=====	=====	=====	=====
Mass. LDP	82800	79000	75124	66670	85130	83550	85290

All notes are at end of statistical appendix.

Massachusetts Linked Deposit Funds Held by Individual Banks
 November 1982 -- May 1985
 (\$000's Held During 6-Mo. Period Beginning in Indicated Month)

Bank Code -----	After Nov 82 -----	After May 83 -----	After Nov 83 -----	After May 84 -----	After Nov 84 -----	After May 85 -----
-----------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

League I -- All Commercial Banks

105	6750	6750	6750	6750	6750	6750
110	0	0	0	5000	5000	5000
150	0	0	0	0	0	500
155	2000	2000	4000	4000	4000	4000
160	2000	3000	3000	3500	3500	3500
165	10000	10000	10500	10500	10000	10000
201	2000	1000	1000	2000	1000	1000
204	2000	2000	2000	2000	2000	2000
207	2500	3500	4000	2000	1000	1000
210	1000	1000	1000	1000	1500	1500
213	1400	2400	2400	4400	4400	4400
216	0	0	0	1000	1500	1500
219	0	0	0	0	1000	1200
222	100	100	500	500	600	600
225	2500	2500	2500	2500	2500	2500
228	250	250	250	250	250	250
231	900	900	900	1000	1000	1000
234	1000	2000	2000	2000	3000	3000
237	2000	2000	2000	2000	2000	2900
240	0	0	0	0	2000	2600
243	600	600	600	600	600	600
246	0	0	0	2000	3000	3000
248	1000	1390	2000	3000	3000	3000
249	300	374	400	800	800	800
252	500	600	400	0	1000	1600
255	1500	1500	1500	1000	500	2000
258	0	0	100	200	200	200
261	1000	0	1000	1000	1000	1000
264	1000	0	1000	1500	2500	1000
267	1000	2000	2000	1000	0	600
270	0	0	0	0	0	1300
276	500	1000	1000	1250	1250	1250
282	4200	4200	4200	4200	4000	4000
285	2000	2000	2000	2000	2000	2000
288	2500	3000	3000	3000	3000	3000
291	0	0	0	0	0	400
294	1000	1000	1000	1000	2000	2000
298	2200	2200	2200	2500	2500	2500
301	2000	2000	2000	2000	2000	0
307	0	0	0	0	0	0
310	0	0	600	300	300	0
313	500	500	0	0	0	0
316	400	600	0	0	0	0
319	400	400	400	0	0	0
322	500	500	0	400	400	0
325	500	500	0	0	0	0

Bank Code	After Nov 82	After May 83	After Nov 83	After May 84	After Nov 84	After May 85
328	2000	2000	0	0	0	0
331	0	0	0	0	0	0
334	1000	0	0	0	0	0
337	2500	1500	0	0	0	0
343	2300	2300	0	0	0	0
346	0	0	0	0	1000	1000
349	500	500	0	0	0	0
352	250	250	250	500	250	0
358	100	0	0	0	0	0
361	500	750	0	0	0	0
League I Total	69150	71064	68450	78650	84300	86450

League II -- Thrift Institutions

401	0	0	0	1000	1000	1000
404	0	0	0	0	500	500
407	500	500	500	1500	1500	1500
410	20000	20000	10000	0	0	0
413	0	500	1000	1500	1500	1500
416	0	250	250	500	500	600
419	500	1000	1000	1000	1000	1000
422	400	650	750	750	750	900
425	4000	4500	4500	4500	4500	4500
428	500	1500	1500	2000	2500	2500
431	1000	1000	1000	1000	2000	2000
432	750	750	0	0	1000	1000
434	500	1000	1000	1500	2000	2000
437	2000	2000	2000	2500	2500	2500
440	2750	3000	3000	6000	7500	7500
443	7000	7000	1750	8000	8000	8000
446	1500	1500	1500	1500	1500	1500
501	0	0	0	0	0	400
504	2000	1100	1100	2000	2000	2000
507	0	0	0	0	500	1200
510	13200	1500	1500	1500	1500	1500
513	0	0	0	0	0	500
516	100	100	200	200	200	200
519	0	0	0	0	500	500
551	0	100	100	0	0	0
554	0	0	0	250	500	250
557	0	100	0	0	0	0
560	0	1000	1000	0	0	0
563	500	500	0	0	0	0
566	0	0	0	0	0	0
572	1200	1200	1200	1200	1000	0
575	0	200	500	300	0	0
578	0	0	0	0	0	0
Savings Banks Sub-Total	58400	50950	35350	38700	44450	45050

Bank Code	After Nov 82	After May 83	After Nov 83	After May 84	After Nov 84	After May 85
605	1900	1900	1900	1900	2000	2000
620	150	250	250	250	250	150
635	500	500	1000	1000	1500	1500
650	500	500	500	500	500	500
665	1400	1400	1400	1400	2400	2400
705	200	300	300	400	400	400
710	150	150	300	300	300	300
730	600	600	150	150	200	200
735	600	600	600	600	600	600
740	0	10	30	30	230	340
751	1600	1500	0	0	0	0
753	100	150	0	0	0	0
761	250	0	100	0	0	0
766	200	0	0	0	0	0
771	150	150	150	150	150	0
776	2000	2500	2500	2500	2500	2000
781	400	400	400	400	400	400
786	0	0	0	0	0	0
791	0	0	0	0	200	200
Coop Banks	----	----	----	----	----	----
Sub-Total	10700	10910	9580	9580	11630	10990
901	100	100	100	100	100	100
951	100	0	0	0	0	0
956	100	100	0	0	0	0
961	100	100	100	0	100	100
966	100	100	100	100	100	100
Federal S & L	----	----	----	----	----	----
Sub-Total	500	400	300	200	300	300
League II Total	=====	=====	=====	=====	=====	=====
Total	69600	62260	45230	48480	56380	56340
Grand Total	=====	=====	=====	=====	=====	=====
Mass. LDP	138750	133324	113680	127130	140680	142790

All notes are at end of statistical appendix.

Details of Massachusetts LDP Scores -- May 1985
League I -- Commercial Banks (38 Banks)

Bank Code	Mass Depts (\$mil)	Small Bus Loans	Stud Loans x5	Inv Insts	Food Stmps x5	Morts x5	Total "C" Points	In-State Points	Total LDP Score
270	65	0.297	1.421	0.035	0.000	0.067	1.819	0.954	2.773 [7]
228	9	0.122	0.000	0.000	0.000	0.969	1.091	0.823	1.913
237	209	0.652	0.082	0.060	0.046	0.110	0.951	0.903	1.854
231	33	0.368	0.073	0.143	0.127	0.107	0.818	0.929	1.747
201	169	0.199	0.144	0.016	0.032	0.377	0.768	0.950	1.718
264	41	0.557	0.000	0.063	0.000	0.208	0.828	0.874	1.702
216	51	0.417	0.025	0.012	0.033	0.468	0.955	0.728	1.682
288	160	0.258	0.002	0.024	0.107	0.225	0.616	1.032	1.648
248	119	0.645	0.055	0.046	0.000	0.000	0.746	0.862	1.608
155	578	0.502	0.068	0.005	0.024	0.088	0.688	0.873	1.561
225	139	0.408	0.070	0.068	0.013	0.218	0.776	0.784	1.560
282	369	0.466	0.071	0.059	0.039	0.008	0.642	0.831	1.472
258	10	0.023	0.000	0.000	0.330	0.454	0.807	0.639	1.446
210	189	0.299	0.066	0.071	0.000	0.177	0.613	0.827	1.440
255	108	0.325	0.242	0.108	0.000	0.039	0.715	0.698	1.413
219	146	0.386	0.029	0.021	0.010	0.170	0.615	0.794	1.409
160	156	0.493	0.026	0.041	0.000	0.041	0.601	0.787	1.388
165	563	0.516	0.036	0.035	0.000	0.004	0.592	0.783	1.375
249	22	0.063	0.066	0.000	0.000	0.449	0.578	0.748	1.327
267	273	0.323	.000	0.081	0.000	0.014	0.418	0.892	1.310
246	189	0.207	0.098	0.066	0.001	0.064	0.435	0.861	1.295
294	204	0.470	0.000	0.053	0.024	0.013	0.560	0.714	1.274
240	392	0.269	0.064	0.029	0.002	0.119	0.484	0.787	1.271
222	13	0.124	0.017	0.021	0.198	0.152	0.513	0.750	1.262
213	125	0.174	0.038	0.005	0.023	0.325	0.566	0.654	1.219
110	1747	0.093	0.252	0.015	0.000	0.030	0.390	0.799	1.189
276	47	0.185	0.100	0.038	0.000	0.281	0.603	0.572	1.176
252	20	0.425	0.000	0.023	0.000	0.077	0.526	0.628	1.154
261	183	0.420	0.080	0.039	0.011	0.011	0.561	0.591	1.152
243	52	0.150	0.115	0.034	0.000	0.320	0.619	0.531	1.149
150	594	0.151	0.031	0.068	0.008	0.013	0.272	0.760	1.032
285	234	0.139	0.027	0.081	0.000	0.024	0.271	0.714	0.985
207	371	0.185	0.048	0.008	0.033	0.062	0.335	0.600	0.935
204	228	0.258	0.053	0.011	0.007	0.009	0.338	0.553	0.891
234	205	0.259	0.066	0.004	0.000	0.036	0.365	0.505	0.870
105	241	0.002	0.013	0.141	.000	0.097	0.254	0.613	0.866
298	89	0.166	0.001	0.000	0.000	0.047	0.214	0.604	0.818
291	52	0.134	0.050	0.056	0.017	0.049	0.306	0.446	0.752
Average	221	0.293	0.093	0.042	0.029	0.156	0.612	0.747	1.359
Minimum	9	0.002	0.000	0.000	0.000	0.000	0.214	0.446	0.752
Maximum	1747	0.652	1.421	0.143	0.330	0.969	1.819	1.032	2.773

Details of Massachusetts LDP Scores -- May 1985
League II -- Thrift Institutions (34 Banks)

Bank Code	Mass Depts (\$mil)	Small Bus Loans	Stud Loans x5	Inv Insts	Food Stmps x5	Morts x5	Total "C" Points	In-State Points	Total LDP Score
710	21	0.000	0.000	0.000	0.000	1.095	1.095	0.903	1.998
425	289	0.015	0.075	0.000	0.000	0.636	0.726	0.884	1.610
432	200	0.097	0.190	0.000	0.000	0.288	0.575	0.891	1.466
431	94	0.143	0.028	0.000	0.000	0.566	0.736	0.662	1.399
665	163	0.099	0.221	0.000	0.000	0.219	0.539	0.784	1.322
901	40	0.067	0.000	0.000	0.000	0.119	0.185	1.115	1.301
507	81	0.055	0.065	0.002	0.000	0.326	0.448	0.797	1.245
605	166	0.000	0.138	0.000	0.000	0.171	0.309	0.886	1.195
416	352	0.109	0.195	.000	0.003	0.107	0.414	0.752	1.166
705	12	0.006	0.000	0.000	0.000	0.393	0.399	0.749	1.148
504	61	0.135	0.000	0.000	0.007	0.240	0.382	0.752	1.135
730	5	0.030	0.071	0.000	0.000	0.161	0.262	0.862	1.125
428	255	0.000	0.065	0.000	0.000	0.393	0.458	0.603	1.061
510	48	0.014	0.063	0.003	0.000	0.227	0.306	0.730	1.036
740	30	0.016	0.021	0.277	0.000	0.000	0.314	0.720	1.034
516	11	0.043	0.000	0.000	0.000	0.395	0.439	0.555	0.993
440	172	0.043	0.010	0.000	0.000	0.143	0.196	0.781	0.978
513	50	0.000	0.150	0.000	0.000	0.091	0.241	0.730	0.972
735	448	0.000	.000	0.017	0.000	0.029	0.046	0.922	0.968
413	133	0.002	0.092	0.000	0.000	0.255	0.350	0.585	0.935
635	309	0.065	0.008	0.000	0.000	0.101	0.173	0.741	0.914
404	213	0.056	0.105	.000	0.000	0.060	0.221	0.676	0.897
434	192	0.009	0.058	0.000	0.000	0.045	0.111	0.783	0.895
419	124	0.050	0.093	0.004	0.000	0.011	0.159	0.704	0.863
407	150	0.019	0.066	0.000	0.000	0.084	0.169	0.693	0.862
446	124	0.059	0.145	0.000	0.000	0.051	0.255	0.547	0.802
519	69	0.020	0.018	0.004	0.011	0.186	0.238	0.552	0.790
422	159	0.000	0.149	0.000	0.000	0.127	0.276	0.507	0.783
501	41	0.000	0.019	0.000	0.000	0.110	0.130	0.646	0.776
620	88	0.000	0.111	0.000	0.000	0.000	0.111	0.639	0.750
437	384	0.047	0.078	0.000	0.000	0.017	0.143	0.582	0.724
650	172	0.000	0.062	0.001	0.000	0.000	0.063	0.643	0.706
401	94	0.056	0.140	0.000	0.000	0.020	0.215	0.470	0.685
443	722	0.001	0.046	.000	0.000	0.135	0.182	0.408	0.590
Average	161	0.037	0.073	0.009	0.001	0.200	0.320	0.713	1.033
Minimum	5	0.000	0.000	0.000	0.000	0.000	0.046	0.408	0.590
Maximum	722	0.143	0.221	0.277	0.011	1.095	1.095	1.115	1.998

Massachusetts Linked Deposit Program -- May 1985
 Scores, Bids, and Actual Awards, by Bank
 (Bids & awards are totals of 6-mo. + 12-mo. amounts, in \$000's)

League I -- Commercial Banks (38 Banks)

Bank Code	LDP Score	Total Bid	Total Award	Award / Bid%	Award / Total	Cum % Awards
270	2.773	5000	1300	26%	2%	2%
228	1.913	100	100	100%	0%	4%
237	1.854	2000	900	45%	2%	4%
231	1.747	1000	1000	100%	2%	6%
201	1.718	5000	1000	20%	2%	8%
264	1.702	1300	1000	77%	2%	10%
216	1.682	3200	1500	47%	3%	12%
288	1.648	5000	2500	50%	5%	17%
248	1.608	3900	1000	26%	2%	19%
155	1.561	12000	3000	25%	5%	24%
225	1.560	3500	2500	71%	5%	29%
282	1.472	2500	2000	80%	4%	32%
258	1.446	100	100	100%	0%	33%
210	1.440	2000	1500	75%	3%	35%
255	1.413	1500	1500	100%	3%	38%
219	1.409	2000	700	35%	1%	39%
160	1.388	3500	1500	43%	3%	42%
165	1.375	10000	2000	20%	4%	46%
249	1.326	2000	800	40%	1%	47%
267	1.310	6000	600	10%	1%	48%
246	1.295	6000	3000	50%	5%	54%
294	1.274	6000	1000	17%	2%	56%
240	1.271	7000	600	9%	1%	57%
222	1.262	500	500	100%	1%	58%
213	1.219	5000	2000	40%	4%	61%
110	1.189	10000	5000	50%	9%	71%
276	1.176	750	750	100%	1%	72%
252	1.154	1000	600	60%	1%	73%
261	1.152	1000	1000	100%	2%	75%
243	1.149	1400	600	43%	1%	76%
150	1.032	10000	500	5%	1%	77%
285	0.985	3000	2000	67%	4%	80%
207	0.935	5000	1000	20%	2%	82%
204	0.891	5000	2000	40%	4%	86%
234	0.870	8000	2000	25%	4%	90%
105	0.866	9000	3750	42%	7%	97%
298	0.818	6000	1500	25%	3%	99%
291	0.752	1500	400	27%	1%	100%
		=====	=====			
		157750	54700			

Massachusetts Linked Deposit Program -- May 1985
 Scores, Bids, and Actual Awards, by Bank
 (Bids & awards are totals of 6-mo. + 12-mo. amounts, in \$000's)

League II -- Thrift Institutions (34 Banks)

Bank Code	LDP Score	Total Bid	Total Award	Award / Bid%	Award / Total	Cum % Awards
710	1.998	150	150	100%	0%	0%
425	1.610	5000	500	10%	2%	2%
432	1.466	7000	1000	14%	3%	5%
431	1.399	2000	1000	50%	3%	9%
665	1.322	2800	1400	50%	5%	13%
901	1.301	100	100	100%	0%	14%
507	1.245	3000	700	23%	2%	16%
605	1.195	1700	1300	76%	4%	20%
416	1.166	1000	600	60%	2%	22%
705	1.148	400	200	50%	1%	23%
504	1.135	1000	1000	100%	3%	26%
730	1.125	100	100	100%	0%	26%
428	1.061	5000	2000	40%	7%	33%
510	1.036	750	750	100%	2%	35%
740	1.034	140	140	100%	0%	36%
516	0.993	100	100	100%	0%	36%
440	0.978	15000	3000	20%	10%	46%
513	0.972	1000	500	50%	2%	48%
735	0.968	600	600	100%	2%	49%
413	0.935	1000	1000	100%	3%	53%
635	0.914	2000	1500	75%	5%	58%
404	0.897	2000	500	25%	2%	59%
434	0.895	3000	2000	67%	7%	66%
419	0.863	500	500	100%	2%	67%
407	0.862	4000	1500	38%	5%	72%
446	0.802	1000	1000	100%	3%	76%
519	0.790	1000	500	50%	2%	77%
422	0.783	500	400	80%	1%	79%
501	0.776	1000	400	40%	1%	80%
620	0.750	150	150	100%	0%	80%
437	0.724	1000	500	50%	2%	82%
650	0.706	500	500	100%	2%	84%
401	0.685	2000	1000	50%	3%	87%
443	0.590	5000	4000	80%	13%	100%
		===== 71490	===== 30590			

Massachusetts Linked Deposit Program -- May 1985
Hypothetical Awards, Calculated Using Treasurer's Allocation Formula. [8]
(Awards are 6-mo. + 12-mo. amounts, in \$000's)

League I -- Commercial Banks (38 Banks)

Bank Code	Score as % of Total	Round I Awd	Round II Awd	Total Award	Award / Bid%	Award / Total%	Cum % Awards
270	0.054	2540	2460	5000	100%	11%	11%
228	0.037	100	0	100	100%	0%	11%
237	0.036	1698	302	2000	100%	4%	15%
231	0.034	1000	0	1000	100%	2%	17%
201	0.033	1574	2069	3643	73%	8%	25%
264	0.033	1300	0	1300	100%	3%	28%
216	0.033	1541	0	1541	48%	3%	31%
288	0.032	1510	0	1510	30%	3%	34%
248	0.031	1473	0	1473	38%	3%	37%
155	0.030	1430	0	1430	12%	3%	40%
225	0.030	1429	0	1429	41%	3%	43%
282	0.029	1349	0	1349	54%	3%	46%
258	0.028	100	0	100	100%	0%	46%
210	0.028	1319	0	1319	66%	3%	49%
255	0.027	1294	0	1294	86%	3%	52%
219	0.027	1291	0	1291	65%	3%	54%
160	0.027	1272	0	1272	36%	3%	57%
165	0.027	1259	0	1259	13%	3%	60%
249	0.026	1215	0	1215	61%	3%	62%
267	0.025	1200	0	1200	20%	3%	65%
246	0.025	1186	0	1186	20%	3%	67%
294	0.025	1167	0	1167	19%	2%	70%
240	0.025	1164	0	1164	17%	2%	72%
222	0.024	500	0	500	100%	1%	73%
213	0.024	1117	0	1117	22%	2%	76%
110	0.023	1089	0	1089	11%	2%	78%
276	0.023	750	0	750	100%	2%	80%
252	0.022	1000	0	1000	100%	2%	82%
261	0.022	1000	0	1000	100%	2%	84%
243	0.022	1053	0	1053	75%	2%	86%
150	0.020	945	0	945	9%	2%	88%
285	0.019	902	0	902	30%	2%	90%
207	0.018	857	0	857	17%	2%	92%
204	0.017	816	0	816	16%	2%	94%
234	0.017	797	0	797	10%	2%	95%
105	0.017	794	0	794	9%	2%	97%
298	0.016	750	0	750	12%	2%	99%
291	0.015	689	0	689	46%	1%	100%
		*****	*****	*****			
		42469	4831	47300			

All notes are at end of Statistical Appendix.

Massachusetts Linked Deposit Program -- May 1985
Hypothetical Awards, Calculated Using Treasurer's Allocation Formula [8]
(Awards are 6-mo. + 12-mo. amounts, in \$000's)

League II -- Thrift Institutions (34 Banks)

Bank Code	Score as % of Total	Round I Awd	Round II Awd	Total Award	Award / Bid%	Award / Total	Cum % Awards
710	0.057	150	0	150	100%	1%	1%
425	0.046	1270	2885	4155	83%	15%	16%
432	0.042	1156	2999	4155	59%	15%	31%
431	0.040	1103	145	1248	62%	5%	35%
665	0.038	1043	0	1043	37%	4%	39%
901	0.037	100	0	100	100%	0%	39%
507	0.035	982	0	982	33%	4%	43%
605	0.034	943	0	943	55%	3%	46%
416	0.033	920	0	920	92%	3%	49%
705	0.033	400	0	400	100%	1%	51%
504	0.032	895	0	895	89%	3%	54%
730	0.032	100	0	100	100%	0%	54%
428	0.030	837	0	837	17%	3%	57%
510	0.029	750	0	750	100%	3%	60%
740	0.029	140	0	140	100%	1%	61%
516	0.028	100	0	100	100%	0%	61%
440	0.028	771	0	771	5%	3%	64%
513	0.028	766	0	766	77%	3%	67%
735	0.028	600	0	600	100%	2%	69%
413	0.027	737	0	737	74%	3%	71%
635	0.026	721	0	721	36%	3%	74%
404	0.026	708	0	708	35%	3%	77%
434	0.025	706	0	706	24%	3%	79%
419	0.025	500	0	500	100%	2%	81%
407	0.025	679	0	679	17%	2%	83%
446	0.023	633	0	633	63%	2%	86%
519	0.023	623	0	623	62%	2%	88%
422	0.022	500	0	500	100%	2%	90%
501	0.022	612	0	612	61%	2%	92%
620	0.021	150	0	150	100%	1%	93%
437	0.021	571	0	571	57%	2%	95%
650	0.020	500	0	500	100%	2%	96%
401	0.020	540	0	540	27%	2%	98%
443	0.017	466	0	466	9%	2%	100%
		=====	=====	=====			
		21671	6029	27700			

All Notes are at end of Statistical Appendix.

Massachusetts Linked Deposit Program — May 1985
 Actual Awards and Awards Calculated With All Maturing Deposits Replaced
 (Bids and Awards are 6-mo. + 12-mo. amounts, in \$000's)
 League I -- Commercial Banks (38 Banks)

(1) Bank Code	(2) Propor- tional Amount	(3) Maturing Deposits	(4) Max of (2)&(3)	(5) Bid	(6) CalcAwd Min of (4)&(5)	(7) Actual Award	(8) Award Short- Fall	(9) ShtFall as % of CalcAwd
270	2540	0	2540	5000	2540	1300	1240	49
228	1750	100	1750	100	100	100	0	0
237	1698	0	1698	2000	1698	900	798	47
231	1608	1000	1608	1000	1000	1000	0	0
201	1574	1000	1574	5000	1574	1000	574	36
264	1561	1000	1561	1300	1300	1000	300	23
216	1541	1500	1541	3200	1541	1500	41	3
288	1510	2500	2500	5000	2500	2500	0	0
248	1473	1000	1473	3900	1473	1000	473	32
155	1430	3000	3000	12000	3000	3000	0	0
225	1429	2500	2500	3500	2500	2500	0	0
282	1349	2000	2000	2500	2000	2000	0	0
258	1324	100	1324	100	100	100	0	0
210	1319	1500	1500	2000	1500	1500	0	0
255	1294	0	1294	1500	1294	1500	-206	-16
219	1291	500	1291	2000	1291	700	591	46
160	1272	1500	1500	3500	1500	1500	0	0
165	1259	2000	2000	10000	2000	2000	0	0
249	1215	800	1215	2000	1215	800	415	34
267	1200	0	1200	6000	1200	600	600	50
246	1186	3000	3000	6000	3000	3000	0	0
294	1167	1000	1167	6000	1167	1000	167	14
240	1164	0	1164	7000	1164	600	564	48
222	1135	500	1135	500	500	500	0	0
213	1117	2000	2000	5000	2000	2000	0	0
110	1089	5000	5000	10000	5000	5000	0	0
276	1088	750	1088	750	750	750	0	0
252	1058	0	1058	1000	1000	600	400	40
261	1056	1000	1056	1000	1000	1000	0	0
243	1053	600	1053	1400	1053	600	453	43
150	945	0	945	10000	945	500	445	47
285	902	2000	2000	3000	2000	2000	0	0
207	857	1000	1000	5000	1000	1000	0	0
204	816	2000	2000	5000	2000	2000	0	0
234	797	2000	2000	8000	2000	2000	0	0
105	794	3750	3750	9000	3750	3750	0	0
298	750	1500	1500	6000	1500	1500	0	0
291	689	0	689	15000	689	400	289	42
	<u>47300</u>				<u>61844</u>	<u>54700</u>		

"Proportional Amount" equals: (bank LDP score/total LDP scores) x 47300

Massachusetts Linked Deposit Program -- May 1985
 Actual Awards and Awards Calculated With All Maturing Deposits Replaced
 (Bids and Awards are 6-mo. + 12-mo. amounts, in \$000's)

League II — Thrift Institutions (34 Banks)

(1) Bank Code	(2) Propor- tional Amount	(3) Maturing Deposits	(4) Max of (2)&(3)	(5) Bid	(6) CalcAwd Min of (4)&(5)	(7) Actual Award	(8) Award Short -Fall	(9) ShtFall as % of CalcAwd
710	1576	150	1576	150	150	150	0	0
425	1270	500	1270	5000	1270	500	770	61
432	1156	1000	1156	7000	1156	1000	156	14
431	1103	1000	1103	2000	1103	1000	103	9
665	1043	1400	1400	2800	1400	1400	0	0
901	1026	100	1026	100	100	100	0	0
507	982	0	982	3000	982	700	282	29
605	942	1300	1300	1700	1300	1300	0	0
416	920	500	920	1000	920	600	320	35
705	905	200	905	400	400	200	200	50
504	895	1000	1000	1000	1000	1000	0	0
730	887	100	887	100	100	100	0	0
428	837	2000	2000	5000	2000	2000	0	0
510	817	750	817	750	750	750	0	0
740	815	30	815	140	140	140	0	0
516	783	100	783	100	100	100	0	0
440	771	3000	3000	15000	3000	3000	0	0
513	767	0	767	1000	767	500	267	35
735	763	600	763	600	600	600	0	0
413	737	1000	1000	1000	1000	1000	0	0
635	721	1500	1500	2000	1500	1500	0	0
404	707	500	707	2000	707	500	207	29
434	706	2000	2000	3000	2000	2000	0	0
419	681	500	681	500	500	500	0	0
407	680	1500	1500	4000	1500	1500	0	0
446	632	1000	1000	1000	1000	1000	0	0
519	623	500	623	1000	623	500	123	20
422	618	250	618	500	500	400	100	20
501	612	0	612	1000	612	400	212	35
620	591	250	591	150	150	150	0	0
437	571	500	571	1000	571	500	71	12
650	557	500	557	500	500	500	0	0
401	540	1000	1000	2000	1000	1000	0	0
443	465	4000	4000	5000	4000	4000	0	0
	<u>27700</u>				<u>33400</u>	<u>30590</u>		

"Proportional Amount" equals: (bank LDP score/total LDP scores) x 27700

NOTES TO STATISTICAL APPENDIX

1. The bank codes used throughout the following tables were assigned according to the following scheme:

100-149: League IA Commercial Banks (assets over \$1 billion in May 85)
150-199: League IB Comm. Banks (assets of \$500 million - \$ 1 billion)
200-299: League IC Comm. Banks (assets less than \$500 million)
300-399: League I? Comm. Banks (not participating May 1985; no size data)
400-499: League IIA Savings Banks (assets over \$100 million)
500-549: League IIB Savings Banks (assets under \$100 million)
550-599: League II? Savings Banks (not participating May 1985)
600-699: League IIA Co-op Banks (assets over \$100 million)
700-749 League IIB Co-op Banks (assets under \$100 million)
750-799: League II? Co-op Banks (not participating May 1985)
800-899: League IIA Fed S&Ls (assets over \$100 million)
900-949 League IIB Fed S&Ls (assets under \$100 million)
950-999 League II? Fed S&Ls (not participating May 1985)

2. The "Old Code" indicates the bank code, if any, assigned to each bank in Private Banks and Public Money; it is given here to facilitate cross references to the tables in that report.
3. As of May 1985, all commercial banks are in League I. In these tables, they are grouped that way for all previous years as well, even though they were in fact separated into Leagues I (assets over \$200 million) and League II (all other commercial banks) from 1978 through 1984.
4. Until 1984, this bank (code 228) was called Bank of Massachusetts. Although that is still its legal name, it is now "doing business as" Century Bank/Suffolk.
5. Olympic Bank and Trust (bank code 279), a new bank, submitted a bid in May 1985, but its LDP score was 0.110, well below the minimum of 0.500 now necessary to receive deposits under the Massachusetts LDP. (It was the only bidding bank with a score below the required minimum.) No data on this bank is included in any of the subsequent tables.

Boston Five Cents Savings bank submitted a bid in May 1985 even though, as a Federal Savings Bank, is was ineligible to hold state deposits; this bank's awards and holdings through November 1983 are shown on the following tables, but no information on its May 1985 bid is included.

6. In 1983 or 1984 both the Commonwealth Bank and Trust (bank code 322) and Commonwealth Bank/Norfolk County (bank code 325) were merged into Patriot Bank/Brookline Trust (bank code 110). Also, in 1983 Old Colony/Franklin County (bank code 349) was merged into Bank of Boston/Western Massachusetts (bank code 207).

7. The overall LDP score for Merchants Bank of Leominster (bank code 270) is very much higher than that of any other bank. Looking at the details of this high score indicates that it results from a point total for student loans (1.421) that is more than five times larger than that of any other bank. This struck me as almost certainly a mistake, probably resulting from a misplaced decimal point somewhere. However, when I checked with the bank's comptroller, I was told that no mistake had been made — that Merchants Bank does indeed make an extraordinarily large number of student loans for a bank of its size.

8. The Treasurer's Allocation Formula is described in Section X of the "Linked Deposit Program Supplement" included in the accompanying Appendix of Massachusetts LDP Documents. Each bank's LDP score is expressed as a decimal fraction of the total of the LDP scores of all banks in its league; this fraction is then multiplied by the previously announced total of funds to be awarded; the "Round 1 Award" consists of this amount — unless the bank bid for a smaller amount, in which case it consists of the amount of its bid. The money left over after "Round 1" (because some banks bid for less than the amount to which their score would entitle them) is awarded in "Round 2." Beginning with the highest scoring bank and working down, each bank receives a "Round 2 Award" big enough to bring it up to its bid amount (or up to the upper limit of 15% of the announced total of funds its its league); this continues until there are no more funds to be allocated.