PUBLIC DISCLOSURE

MAY 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

UNITED STATES TRUST COMPANY
OF NEW YORK
02-36-5530

114 WEST 47TH STREET
NEW YORK, NY 10036

FEDERAL RESERVE BANK
OF NEW YORK

33 LIBERTY STREET
NEW YORK, NEW YORK  10045

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.
GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of United States Trust Company of New York prepared by the Federal Reserve Bank of New York on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 20, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.


Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.
ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

**Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.
DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Outstanding based on the findings presented below.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

United States Trust Company of New York ("U.S. Trust") specializes in providing trust services, investment management, financial and tax planning, and trust and estate management to high net worth individuals and corporations. Lending activity is performed on an accommodation basis as a means of developing other significant banking and trust relationships.

U.S. Trust has effective procedures in place for ascertaining community credit needs as evidenced by the variety and number of ongoing CRA contacts made since the last examination. U.S. Trust ascertains community credit needs primarily through: 1) management's direct contact with financial and not-for-profit intermediaries; 2) the Community Reinvestment Act Committee evaluation and monitoring of community development projects and proposals; and, 3) the Corporate Contributions Committee evaluation of grant and contribution applications. Several of the organizations identified through the bank's ascertainment efforts established lending relationships with or received financial support from U.S. Trust. (See Assessment Factor H for details.)

To ascertain the credit needs of its local community, U.S. Trust contacts financial intermediaries that promote community development projects and programs involving affordable housing, small business development, and supportive services in New York City. The bank's Community Reinvestment Act Committee ("CRA Committee") and Corporate Contributions Committee ("Contributions Committee") also identify and evaluate community credit needs.

Bank officers and committee members interact with various housing and economic development organizations in New York City including Neighborhood Housing Services, the Community Preservation Corporation, and the Non-Profit Facilities Fund. Since the last examination, the bank made over 40 contacts with financial intermediaries and not-for-profit organizations affiliated with financial intermediaries.

The CRA Committee meets approximately ten times per year and consists of seven senior bank officers and a CRA Advisor. The committee members represent the major areas of the bank, including Legal, Management Committee, Corporate Secretary, Human Resources Division, and Asset Management and Business Development. Since the last examination, a review of the CRA Committee's meeting
minutes revealed discussions of both proposed and existing CRA-related loans and grants. Committee members reviewed various local community development organizations and projects and reported their findings to the committee. Members discussed the respective organization's mission and whether the bank should provide financial support. Certain CRA Committee members also serve on the boards of various financial intermediaries and not-for-profit organizations.

The CRA Committee annually reports its findings and analysis regarding the bank's ascertainment efforts to the board of directors. This report summarizes all information regarding the community credit needs and the bank's community development participation for the year. The most recent report discussed the need for financial support to establish and to maintain organizations that address initiatives including supportive services, child care, social services, job training, credit counseling, emergency medical facilities, and adult literacy.

U.S. Trust also ascertains local community credit needs through its Corporate Contribution and Grant Program. The Contributions Committee and the Corporate Secretary's Office receive and evaluate grant application requests from a diverse group of not-for-profit and community-based organizations. According to management, potential grant candidates and their credit needs have been identified through this process. The officer in charge of the grant-making foundation, U.S. Trust Foundation, also sits on the CRA Committee.

**Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

The level of Board of Director ("board") involvement in CRA is effective. The board delegated responsibility to the Corporate Responsibility Committee ("Responsibility Committee") to monitor the implementation of the bank's CRA Program and performance. The Responsibility Committee, which consists of members of the board, sets corporate policy for the bank on issues affecting both the bank and the local community.

A review of Responsibility Committee's meeting minutes showed that the committee met seven times since last examination and that CRA presentations were made at each meeting by representatives of the CRA Committee. At one meeting, a presentation was made to the full board by a community development organization.
DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

U.S. Trust does not have a retail branch network through which it can broadly market and deliver banking services. It offers banking, trust, and credit services to high net worth individuals, closely-held businesses, and partnerships. As a result, management does not use general mass marketing techniques to promote the bank's services.

Members of the CRA Committee personally market the bank's CRA program through contacts with not-for-profit organizations, community development organizations, and financial intermediaries. U.S. Trust promotes its CRA credit products and services through formal and informal contacts with community-based organizations and financial intermediaries.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

U.S. Trust does not offer loans for the purpose of housing rehabilitation, home improvement, small business, or farm lending. Residential mortgage loans, home equity credit lines, and demand loans are offered on an accommodation basis to U.S. Trust's high net worth, private banking customers. Through financial intermediaries, U.S. Trust provides housing and small business credit to low- and moderate-income individuals within New York City.

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

U.S. Trust's SBA loan portfolio declined from $16.5 million to $11.5 million, or 30 percent, since the last examination. Management stated that the purchase of SBA loans originated to businesses within the New York City area is not feasible. The loans are packaged from various geographies so that it is not possible to buy loans from one specific area such as New York City.
DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The client and banking activities of U.S. Trust encompass a much wider area than the delineated community. However, to meet the technical requirements of Regulation BB, U.S. Trust has delineated Manhattan as its local community. On April 25, 1995 the bank expanded the delineation to include the area of Manhattan north of 110th Street.

The delineation meets the requirements of section 228.3(b)(1) as low- and moderate-income areas have not been arbitrarily excluded.
DISCUSSION OF INSTITUTION'S PERFORMANCE (Cont.)

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (Cont.)

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Given the nature of U.S. Trust's business, an analysis of the geographic distribution of its loans was not performed. U.S. Trust helps to meet the credit needs of low- and moderate-income areas within New York City by working with and providing financing to various financial and not-for-profit intermediaries.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

On September 1, 1995, U.S. Trust closed a branch at 20 Exchange Place, New York, N.Y., which functioned as a limited purpose branch for the bank's Securities Industry Banking Division. As of this examination date, the bank has four branches in Manhattan with the Main Office located at 114 West 47th Street.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

The bank does not offer traditional credit products to the general public. U.S. Trust solicits applications from and seeks to develop relationships with corporate clients and high net worth individuals. Satisfactory compliance procedures are in place to promote nondiscriminatory credit practices. No practices intended to discourage credit applicants were identified during this compliance examination.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

No credit practices were identified that are inconsistent with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Home Mortgage Disclosure Act (Regulation C), the Fair Housing Act and relevant agency regulations pertaining to the nondiscriminatory treatment of credit applicants.
Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

U.S. Trust meets its local community credit needs by providing financing to various intermediary organizations involved in community development. Management considers this to be the most effective method for fulfilling the bank's CRA obligations given the nature of the bank's business orientation. Community development activity for the period ending May 20, 1996 totaled $7.6 million. This represents an 8.6 percent increase from the prior examination and is primarily attributable to increases in loans, letters of credit, investments, and deposits. In addition, the bank made $487.3 thousand in grants and donations in support of community development activities. The recipients of these credit facilities and financial support consist of not-for-profit intermediaries involved in affordable housing, small business development, economic development, and supportive services. All of these organizations are either located in or serve all or a portion of New York City.

Since the last examination, U.S. Trust provided financial support to five additional organizations and also increased its financial commitments to certain organizations which had received financing at last examination. See the chart on the following page for further details.

In addition to credit facilities and investments, the bank made grants and donations to various organizations involved in community development. U.S. Trust administers grants and donations through both the bank and the U.S. Trust Foundation. The CRA Committee authorizes bank grants and contributions while the Corporate Secretary's Office authorizes Foundation grants. A committee consisting of bank directors and senior management evaluates grant requests based on the organization's purpose and use of the funds. Qualifying organizations are involved in community development, revitalization, affordable housing, small business development, and supportive services. Bank grants totaled $45 thousand and U.S. Trust Foundation's CRA qualifying grants for 1994 and 1995 totaled $370 thousand. For the first four months of 1996, the bank's donations in support of community development totaled $72.8 thousand.

As of May 20, 1996, 27 percent of U.S. Trust's municipal portfolio comprised of obligations issued by municipalities located in New York State.
Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no financial or legal impediments that would prevent U.S. Trust from meeting its responsibilities under CRA. However, U.S. Trust's asset size as of March 31, 1996 decreased 37.8 percent since the last examination due to the sale of certain bank operations. These assets included the mutual funds servicing business, the unit trust business, and certain back office operations. U.S. Trust supports community development projects consistent with its business focus, asset size, and branch network.

COMMUNITY PROFILE

Based on data from the State of New York's Department of Labor, New York City's 1995 annual unemployment rate was 8.2 percent, while the unemployment rate for the state was 6.3 percent. The major occupational categories in New York City are managerial and professional, and administrative support, which includes clerical support, services and sales. The major industries are professional and related services, finance, insurance, real estate, retail trade, and manufacturing.

Based on the 1990 Bureau of the Census data, the five boroughs of New York contain a population of 7.3 million of which 56.2 percent or 4.1 million are minorities. The number of occupied housing units total 2.8 million of which 800 thousand or 28.6 percent are owner-occupied units. The median household income is $29,823 and the median family income is $34,360. However, the 1996 HUD estimated median family income is $45,800. The average adjusted low- and moderate-income median family income is $22,400. There are 2,216 census tracts in New York City of which 799 or 36 percent are low- and moderate-income.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Several U.S. Trust officers serve as advisors, directors or officers in a variety of New York City based not-for-profit organizations and volunteer programs and provide financial and technical expertise. These organizations and programs promote community development-related initiatives.