

## **PUBLIC DISCLOSURE**

**August 18, 1997**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Bank of New York  
DSBB No. 02-36-4880**

**48 Wall Street  
New York, New York 10286**

**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.**

**TABLE OF CONTENTS**  
**THE BANK OF NEW YORK**

General Information .....	BB1
Institution.....	BB2
Institution's CRA Rating .....	BB2
Lending, Investment, and Service Test Table.....	BB3
Description of Institution.....	BB4
Description of Assessment Areas .....	BB5
Assessment Area Map .....	BB8
Conclusions with Respect to Performance Tests.....	BB9
Lending Test .....	BB9
Investment Test.....	BB15
Service Test .....	BB16
Exhibits.....	BB19
1 Description of Institution .....	BB19
2 Multi-family Lending.....	BB20
3 Community Development Lending .....	BB21
4 Flexible Residential Loan Activity .....	BB22
5 Qualified Investments by State .....	BB23
6 Branches Opened and Closed.....	BB24
7 Branches Closed by County and MSA .....	BB25
New York State .....	BB26
Table of Contents .....	BB26
New York State.....	BB28
New Jersey.....	BB77
Table of Contents .....	BB77
New Jersey .....	BB79
Connecticut .....	BB124
Table of Contents .....	BB124
Connecticut.....	BB125
CRA Appendices .....	BB138
CRA Appendix A: Scope of Examination .....	BB138
CRA Appendix B: Summary of State and Multistate MSA Ratings .....	BB140
CRA Appendix C: Glossary .....	BB141

## GENERAL INFORMATION

*The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the CRA performance of **The Bank 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, as of **August 18, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

## **INSTITUTION**

***INSTITUTION'S CRA RATING:*** This institution is rated **SATISFACTORY**.

The Bank of New York's ("BNY") level of performance under the CRA is assessed as "Satisfactory," and is based on an evaluation of the performance criteria with respect to the lending, investment and service tests. The bank's overall rating reflects a "High Satisfactory" rating on both the lending and service tests and an "Outstanding" rating on the investment test.

The high satisfactory rating on the lending test is based on: (1) an adequate geographic distribution of home mortgage loans that is improved to a satisfactory level by the weight given to the bank's origination of multifamily housing loans, especially those in low-and moderate-income ("LMI") geographies; (2) a good distribution of lending among borrowers of different income levels and business customers of different sizes; (3) the high level of community development projects and programs that support affordable housing and economic development; and (4) the use of flexible lending practices. However, the volume of HMDA and small business lending was below that of most similarly situated institutions. In addition, the geographic distribution of small business lending in New York State was weak.

The outstanding rating on investment test is based on the substantial number of qualified investments, their complex nature and their responsiveness to credit and community development needs.

With respect to the service test, the high satisfactory rating is based on delivery systems that make BNY's products readily accessible to most segments of the assessment areas and to the a high level of community development services that it provides in its assessment areas.

The following table indicates the performance level of The Bank of New York with respect to the lending, investment, and service tests.

<b>PERFORMAN CE LEVELS</b>	<b><u>THE BANK OF NEW YORK</u></b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test*</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding		<b>X</b>	
High Satisfactory	<b>X</b>		<b>X</b>
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## **DESCRIPTION OF INSTITUTION:**

BNY, a member of the Federal Reserve System, is a New York State-chartered commercial and retail bank with its headquarters in New York City. BNY is the principal subsidiary of The Bank of New York Co., Inc. ("BNY Co."), with assets of \$54.8 billion as of March 31, 1997. Activities considered in evaluation of BNY's CRA performance included those of BNY Mortgage Co., a subsidiary of BNY, and BNY Aurora Holding Corp., a nonbank subsidiary of BNY Co. formed in 1995 to facilitate investment in low-income rental housing development and rehabilitation through low-income housing tax credits. Since the last examination, there have been changes in the structure of the bank. In 1996, The Bank of New York (NJ), West Paterson, New Jersey and The Putnam Trust Company, Greenwich, Connecticut were merged into the BNY. There is no indication that financial or legal impediments exist that would hinder BNY in meeting its obligations under CRA.

As of the examination date, August 18, 1997, BNY operated 376 branch offices in three states, with a total of \$23.3 billion in domestic deposits. Total deposit were approximately \$40 billion. The bank's branches and deposits are concentrated in New York State, generally, and in MSA 5600 (New York, NY), specifically. Eighty-two percent of the bank's domestic deposits were held in branches in New York State, with 78 percent in MSA 5600. Two hundred and fifty-nine, or 69 percent, of the bank's branches are in New York, and 125 of those, or 48 percent are in MSA 5600. As a result of this concentration of branches and deposits in New York State, the evaluation of the bank's performance in New York heavily influences the overall rating.

The 109 branches in New Jersey hold \$3.5 billion in deposits, representing 29 percent of the bank's branches and 15 percent of the bank's total domestic deposits. On June 4, 1997, Sun Bancorp, Inc. of Vineland, New Jersey, announced that it would purchase 11 New Jersey branches from BNY. The purchase, to take place after the current examination, will include all six BNY branches in Atlantic County, all three BNY branches in Mercer County, and one branch each in Middlesex and Somerset Counties. This will reduce the bank's presence in southern New Jersey to two branches in Ocean County and will eliminate MSA 8480 (Trenton, NJ) and MSA 3640 (Jersey City, NJ) from the bank's assessment areas.

Eight branches, representing 2 percent of the total number of BNY branches, are located in Connecticut and hold a total of \$573 million in deposits, which is 2.5 percent of the bank's domestic deposits.

BNY and its subsidiary BNY Mortgage offer a full line of real estate, commercial, and consumer loan products in the three states in which they operate. The bank's lending focus, however, is on commercial banking and targets the nation's largest corporations.

BNY was last examined for compliance with the CRA as of January 16, 1996. The bank received an overall rating of satisfactory.

## **DESCRIPTION OF ASSESSMENT AREAS**

The following demographic and economic information was obtained from publicly available sources that

include the U.S. Department of Commerce-Bureau of the Census, 1990, the United States Department of Labor and the Department of Housing and Urban Development. Exhibits displaying referenced demographic information are shown in the corresponding State level portions of the of the public evaluation.

BONY's assessment areas include portions of New York State, New Jersey and Connecticut. The bank's assessment areas in Connecticut should be expanded at the next examination to include certain additional adjacent LMI geographies in which the bank has lending activity.

### **New York Areas**

The bank's New York assessment areas include the following MSAs, portions of MSAs and non-MSAs:

- A portion of MSA 5600 (New York, NY) consisting of the entire counties of New York, Westchester, Queens, Kings, Bronx, Putnam and Rockland. Richmond County is not included. As indicated in Exhibit NY-4, the population of the area is approximately 8,167,869. Thirty-two percent of the area's 2,340 census tracts are designated as LMI. Forty-one percent of the area's 1,975,353 families are designated as LMI.
- MSA 5380 (Nassau-Suffolk, NY) consisting of the entire counties of Suffolk and Nassau. As indicated in Exhibit NY-5, the population of the area is approximately 2,609,212. Fifteen percent of the area's 574 census tracts are designated as LMI. Thirty-six percent of the area's 690,401 families are designated as LMI.
- A portion of MSA 5660 (Newburgh, NY-PA) consisting of the entire county of Orange, NY. Pike County, PA is not included. As indicated in Exhibit NY-6, the population of the area is approximately 307,647. Twenty-one percent of the area's 66 census tracts are designated as LMI. Thirty-five percent of the area's 77,895 families are designated as LMI.
- MSA 2281 (Dutchess, NY) consisting of the entire county of Dutchess. As indicated in Exhibit NY-7, the population of the area is approximately 259,462. Twenty-four percent of the area's 68 census tracts are designated as LMI. Thirty-six percent of the area's 65,238 families are designated as LMI.
- Non-MSA contiguous portions of Ulster and Sullivan Counties. As indicated in Exhibit NY-8, the population of the area is approximately 214,100. Two percent of the area's 63 census tracts are designated as LMI. Twenty-seven percent of the area's 54,296 families are designated as LMI.

### **New Jersey Areas**

The bank's New Jersey assessment areas include the following MSAs and portions of MSAs:

- MSA 0875 (Bergen-Passaic, NJ) consisting of the entire counties of Passaic and Bergen. As indicated in Exhibit NJ-4, the population of the area is approximately 1,278,440. Thirty-five percent of the area's 303 census tracts are designated as LMI. Thirty-eight percent of the area's

343,174 families are designated as LMI.

- A portion of MSA 5640 (Newark, NJ) consisting of the entire counties of Essex, Union, Morris, Sussex and a portion of Warren County. As indicated in Exhibit NJ-5, the population of the area is approximately 1,846,888. Thirty-nine percent of the area's 464 census tracts are designated as LMI. Thirty-eight percent of the area's 481,061 families are designated as LMI.
- MSA 3640 (Jersey City, NJ) consisting of the entire county of Hudson. As indicated in Exhibit NJ-6, the population of the area is approximately 553,099. Twenty-three percent of the area's 161 census tracts are designated as LMI. Thirty-nine percent of the area's 137,640 families are designated as LMI.
- MSA 5190 (Monmouth-Ocean, NJ) consisting of the entire counties of Monmouth and Ocean. As indicated in Exhibit NJ-7, the population of the area is approximately 986,327. Twenty-six percent of the area's 234 census tracts are designated as LMI. Thirty-seven percent of the area's 268,329 families are designated as LMI.
- A portion of MSA 5015 (Middlesex-Somerset-Hunterdon, NJ) consisting of the entire counties of Middlesex and Somerset. Hunterdon County is not included. As indicated in Exhibit NJ-8, the population of the area is approximately 912,059. Twenty percent of the area's 236 census tracts are designated as LMI. Thirty-six percent of the area's 243,308 families are designated as LMI.
- MSA 8480 (Trenton, NJ) consisting of the entire county of Mercer. As indicated in Exhibit NJ-9, the population of the area is approximately 325,824. Thirty-three percent of the area's 63 census tracts are designated as LMI. Thirty-seven percent of the area's 83,109 families are designated as LMI.
- A portion of MSA 0560 (Atlantic-Cape May, NJ) consisting of the entire county of Atlantic and a portion of Cape May County. As indicated in Exhibit NJ-10, the population of the area is approximately 239,839. Twenty-three percent of the area's 73 census tracts are designated as LMI. Thirty-five percent of the area's 61,391 families are designated as LMI.
- A portion of MSA 6160 (Philadelphia, PA-NJ) consisting of a portion of Burlington County. Camden, Gloucester, and Salem counties, New Jersey, and Bucks, Chester, Delaware, Montgomery, and Philadelphia counties, Pennsylvania are not included. As indicated in Exhibit NJ-11, the population of the area is approximately 17,176. None of the area's 4 census tracts are designated as LMI. Twenty-three percent of the area's 3,886 families are designated as LMI.

The bank's Connecticut assessment areas include portions of MSAs as follows:

- A portion of MSA 1160 (Bridgeport, CT) consisting of the town of Fairfield. The cities or towns of Ansonia, Beacon Falls, Bridgeport, Derby, Easton, Milford, Monroe, Oxford, Seymour, Shelton, Stratford, and Trumbull are not included.



- A portion of MSA 8040 (Stamford-Norwalk, CT), consisting of the town of Greenwich. The cities or towns of Darien, New Canaan, Norwalk, Stamford, Weston, Westport, and Wilton are not included.

As indicated in Exhibit CT-1, the population of these two MSAs combined is approximately 112,000. None of the area's 31 census tracts included in these MSAs are designated as low-income tracts and only 3 are designated as moderate-income. Twenty-nine percent of the area's 30,527 families are designated as LMI.

The following map represents the delineation of BNY's assessment areas:

[Place Map of Assessment Areas]

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

***The Lending Test is rated: “High Satisfactory”***

***The Investment Test is rated: “Outstanding”***

***The Service Test is rated: “High Satisfactory”***

The following is a summary of BNY's CRA performance based on the three performance tests. The analysis in this examination took into account the nature and scope of BNY's banking operations and business strategies in each state and geography of its assessment areas. As a result, significant weight was placed on the bank's performance in the State of New York and in particular, MSA 5600 (New York, NY) and MSA 5380 (Nassau-Suffolk). The bank's retail business market, branch network and customer base is concentrated in these areas. See State and MSA analysis for each state for further details regarding the performance tests.

### LENDING TEST

BONY's performance on the lending test is rated high satisfactory, despite the low volume of lending during the examination review period, January 1, 1996 through June 30, 1997 and a weak geographic distribution of business lending in New York State. The adequate geographic distribution of home mortgage loans reflects good penetration throughout BNY's assessment areas with considerable weight given to the bank's origination of multifamily housing loans, especially those in low- and moderate-income (“LMI”) geographies. The distribution of loans reflects good penetration among borrowers of different income levels and business customers of different sizes. BNY uses flexible lending practices in order to address the credit needs of its assessment areas and is a leader among its peers in making community development loans. Community development lending totaled \$193.8 million.

#### Lending Activity

The analysis included the bank's home mortgages (home purchase and refinance) and small business, loans. The volume of lending is small in comparison to the need for, and opportunity to finance, these types of credit within the bank's assessment areas. The level of lending is also small in comparison to the number of loans that were made by similarly situated institutions.

While the overall level of lending reflects poor responsiveness to community credit needs, this weakness is mitigated somewhat by the fact that a substantial majority of lending including business lending was made within the bank's assessment areas. Overall, 94.4 percent (5,330 out of 5,649) of HMDA loans, 97.2 percent (4,101 out of 4,221) of small business loans considered at this examination were originated in the bank's assessment areas. HMDA and small business loans represented 57 and 43 percent of total assessment area originations, respectively.

Since last examination, the number of purchase mortgage and refinance loans increased 82.7 percent in New Jersey, but the increase in the number of loans in LMI census tracts was only 18.7 percent. In New York, volume declined 4.8 percent on an annualized basis but the volume in LMI tracts declined 21.3 percent. The number of home improvement loans declined from 2,167 to 784 (64 percent) in New York, from 989 to 101 (90 percent) in New Jersey, and only three home improvement loans were originated in Connecticut.

The volume of small business lending was down dramatically. On an annualized basis, small business loans declined 35 percent in New Jersey and 31 percent in New York. The percentage of loans in LMI census tracts remained about the same. Only 28 loans less than one percent of the total small business loan volume, were originated in Connecticut during the examination period. The bank indicated that steps have been taken to strengthen small business lending. These steps have apparently been successful as the volume of small business lending for the first six months of 1997 is much improved over the volume in 1996.

### **Geographic Distribution of Lending**

Overall, the geographic distribution of loans reflects good penetration throughout the assessment areas.

#### *HMDA Lending Activity*

The distribution of home purchase and refinance mortgage loans calculated on the basis of the proportion of mortgage loans per thousand owner-occupied housing units in an area ("demand-adjusted basis") for the assessment areas as a whole was good, with lending activity in middle- and upper-income ("non-LMI") census tracts only marginally greater in New York State and in New Jersey) than lending activity in LMI census tracts. However, in MSA 5640 (Newark, NJ) and MSA 5600 (New York, N.Y.) weaknesses were noted as previously mentioned, these two MSAs constitute a substantial portion of BNY's operations. In Connecticut where the volume of the bank's home purchase and refinance mortgage loans is quite small in relation to its total home purchase and refinance mortgage loan volume (approximately 4 percent), demand-adjusted loans in LMI census tracts were three times greater than in non-LMI census tracts. Overall, the demand adjusted mortgage performance has weakened in LMI census tracts since the last examination. The volume of home improvement loans has dropped significantly that this lending was not factored in the overall analysis.

The geographic distribution of HMDA loans was strengthened by BNY's lending for multifamily housing. During the examination period, the bank originated 23 multifamily loans; 11 of these loans were in LMI geographies. In all, the buildings financed by the 23 multifamily loans contained 4,092 housing units, of which 2,783 units or 68 percent were located in LMI census tracts. All the multifamily loans in LMI census tracts were in high cost-areas in New York MSAs 5600 (New York, NY) and 5380 (Nassau-Suffolk) and in New Jersey MSAs 5640 (Newark) and 0875 (Bergen-Passaic) where LMI families are generally priced out of homeownership. Multifamily loans accounted for 150 housing units in low-income census tracts and 2,633 in moderate-income tracts.

#### *Small Business Lending Activity*

The geographic distribution of small business loans was weak overall. In New York, specifically, the ratio of demand-adjusted loans in non-LMI geographies was almost twice as great than in LMI geographies. In Connecticut, demand-adjusted analysis of originations in LMI tracts compared to originations in non-LMI tracts were significantly greater but only 28 small business loans were made in

the state during the examination period.

### **Borrower Characteristics**

BNY demonstrated a good distribution of loans among individuals of different income levels and businesses of different sizes.

#### *HMDA Lending Activity*

The bank's HMDA-related lending to moderate-income borrowers is excellent. Twenty-one percent of home purchase and refinance loans originated in New Jersey were to moderate-income borrowers. These ratios are favorable when compared to the demographics of bank's assessment areas in the state where 18 percent of the families are designated as moderate-income. In New York State, 17 percent of home purchase and refinance loans were extended to moderate-income borrowers, while 16 percent of the assessment areas' families are designated moderate-income.

The bank's home purchase and refinance mortgage lending to low-income borrowers in Connecticut is very favorable in comparison to the assessment areas' demographics where 14 percent of the families are designated as low-income. Low-income borrowers received 66 percent of home purchase and refinance loans. The ratio of loans to low-income borrowers compared to the ratio of low-income families in the rest of BNY's assessment areas is not favorable. In the New Jersey assessment areas, where 19 percent of the families are designated as low-income, less than 5 percent of home purchase and refinance mortgage loans were made to low-income borrowers. In the New York assessment areas, where 23 percent of the families are designated as low-income, only 3 percent of home purchase and refinance mortgage loans were made to low-income borrowers. However, the disparity in the ratios is reasonable given the very high cost of housing in relation to borrower income levels.

The level of lending to low-income borrowers is similar to that found at similarly situated banks in relation to size and location during the same period ("peer group banks"). The high cost of housing in BNY's assessment areas makes it difficult for low-income borrowers to qualify for home mortgages. The high cost of single-family houses, condominiums, and co-operative apartments in New Jersey and New York generally, and in MSA 5600 (New York, NY), MSA 5380 (Nassau-Suffolk, NY), MSA 5640 (Newark, NJ), and 0875 (Bergen-Passaic, NJ) specifically, bars most low-income families in these areas from homeownership.

#### *Small Business Lending Activity*

The bank's record of lending to businesses of different sizes is good. Almost 60 percent of the small business loans made by the bank in New Jersey and 69 percent of the small business loans in New York were for \$100 thousand or less. Loans of \$100 thousand or less averaged approximately \$40 thousand in both states. This would indicate that the bank's small business lending activity focused on very small businesses (when the size of the loan is used as a proxy for the size of the business).

The bank's responsiveness to the credit needs of businesses with gross annual revenues of \$1 million or

less is supported by the evaluation discussed above. Approximately 26 percent of small business loans in New Jersey and 31 percent of small business loans in New York were made to businesses with reportable gross annual revenues of \$1 million or less. An additional 33 percent in New York and 23 percent in New Jersey of all small business loans made during the examination period were to small businesses where gross annual revenue was not a factor in the credit decision and were not reported. However, based on the small loan amount it was evident that the borrower was a small business. When these loans are added to those with reportable gross annual revenues of \$1 million or less, the ratio improves to approximately 50 percent in New Jersey and 60 percent in New York. This compares favorably with 80 percent of business establishments with gross annual revenues of \$1 million or less in the assessment areas, in both New Jersey and New York.

### **Community Development Lending**

BNY's record of meeting the credit needs of its communities through community development lending is excellent. Community development lending totaled \$200 million. A substantial portion of community development loans, \$84.9 million or 42 percent, were originated during this examination period. Approximately 90 percent of all the community development loans were made in New York State.

In New York, 44 percent of community development lending activity supported affordable housing development, 6 percent supported economic development, and 49 percent supported the revitalization or stabilization of LMI neighborhoods. In New Jersey, all community development lending activity supported affordable housing development. BNY had no community development lending activity in Connecticut.

### **Innovative or Flexible Lending Practices**

BNY's residential loan products and programs include a number of special programs designed to meet the credit needs of LMI individuals. Some of these products offer flexible underwriting criteria to enable LMI and first-time home buyers to qualify for loans. Housing loans are originated in conjunction with Fannie Mae (formerly the Federal National Mortgage Association), the State of New York Mortgage Agency ("SONYMA"), the New Jersey Housing Finance Agency ("NJHFA"), the Federal Housing Authority ("FHA"), and the Veterans Administration ("VA").

The following loan products and programs are offered throughout the bank's assessment area.

#### **Homeownership Initiative**

This 30-year fixed-rate home purchase mortgage loan product provides financing of up to 95 percent of the value of one- to two-family homes and condominiums, and up to 90 percent of the value of three- to four-family homes. Refinancing up to 90 percent of the value of the property is available for all property types. This product is available to all home buyers who have either completed homeownership counseling from an approved homeownership counseling group or are financing a property within a designated LMI community. The program also provides additional flexibility in underwriting criteria. Applicant income may not exceed 115 percent of the MSA or county median household income.

#### **Grant, Subsidy, Soft Second**

Under this program, grant and subsidies or soft second (subordinated mortgages) provided by the state or local housing agency or any other incorporated entities of state or local government can be used for down payments or closing costs. This product is available to all LMI home buyers who have completed homeownership counseling from an approved group.

### FHA/VA

BNY Mortgage offers several FHA/VA products. Special features for VA loans include no down payment with generally no cash reserve requirement and a no closing cost option. Special features for FHA loans include a 3 percent down payment option, which may be a gift from a non-borrower, and a no-closing cost option. The FHA ARM Program offers flexible underwriting criteria with a maximum debt-to-income ratio of 41 percent.

### Reverse Mortgages

BNY offers several types of reverse mortgages that allow senior citizens to convert their home equity into income while retaining ownership of their home. Borrowers must be over age 62, own their home free and clear, and occupy it as their primary residence. This type of loan has no income restrictions or credit history requirements. Counseling service is available in conjunction with reverse mortgage loan programs. Some of these programs are offered with the Department of Housing and Urban Development ("HUD") and are sold to Fannie Mae.

### Fannie Mae Community Home Buyer

BNY participates in the Fannie Mae Community Home buyers program which assists first-time home buyers. The program provides 95 percent loan-to-value ("LTV") financing for single-family and condominium properties with flexible underwriting guidelines. The terms and conditions include debt-to-income ratios of 33 and 38 percent and minimum down payments of 3 percent. The borrower must attend a home buyers counseling course and have an income of less than 100 percent of the area median income. However, in New York City the maximum borrower household income can be up to 165 percent of the MSA median income. The property must be located in qualified geographic areas, i.e., central cities, targeted LMI areas or targeted predominantly minority areas.

### Other Fannie Mae Programs

BNY participates in a variety of Fannie Mae affordable housing programs that offer flexible underwriting. The Fannie Mae 97% LTV Program provides purchase money home mortgage financing with down payments as low as 3 percent for single-family and condominium properties. Fannie Mae 2-4 Family-Unit Pilot Program provides a more liberal treatment of rental income in qualifying a borrower. Fannie Mae Reserve-Homekeeper Mortgage allows a borrower over age 63 to purchase a home using a mortgage that requires no payment provided that the property is owner-occupied.

This program provides below-market interest rates on loans to individuals purchasing properties located in LMI census tracts.

### Products for Specific Regions

In addition to the products and special credit programs offered throughout the assessment area, some products are offered to meet the credit needs of specific regions. NJHFA and SONYMA programs are only available in New Jersey and New York, respectively, and the New Immigrant Program is only available in Queens, New York, Brooklyn, and Bronx Counties.

Exhibit 4 details the type, number, and dollar value of loans made under special loans programs. The numbers and dollars are divided into four regional categories: The states of New Jersey and Connecticut, New York City, and the rest of New York State. From January 1, 1996 through June 30, 1997, BNY originated 1,495 flexible residential loans totaling approximately \$179 million.



## **INVESTMENT TEST**

BNY performance under the investment test is excellent and is rated outstanding based on the substantial number of qualified investments, their complex nature and responsiveness to credit and community development needs.

### **Volume**

Qualified investments totaled \$74.4 million at this examination. Investments originated during this examination period equaled \$22.3 million. Ninety-three percent of total qualified investments were made in the New York State, and 90 percent of those were made in MSA 5600 (New York, NY). Ninety-three percent of BNY's qualified investments consist of limited partnerships structured to own "qualified low-income buildings" as defined in section 42(c)(2) of the Internal Revenue Code. These types of investments are known as low-income housing tax credits ("LIHTC"). Another 6 percent of total qualified investments are equity type investments in community development companies ("CDC") that provide financing. The balance, \$634 thousand, of qualified investments represent grants to various organizations supporting community development projects and programs throughout the bank's assessment areas in New York and New Jersey. No qualified investments were made in Connecticut. Most of the investments carried forward from prior examinations were made in MSA 5600 (New York, NY) and consisted of equity investments in affordable housing tax credit partnerships and CDCs.

### **Innovative and Complex**

Direct investments in affordable housing tax credits and CDCs are complex but not particularly innovative. Tax credits derived from such investments are used over a 10-year period, but the bank is obligated to verify that buildings financed under the tax credit program continue to provide affordable housing for 15 years. This compliance obligation requires a substantial commitment in time and expertise on the part of the bank. In addition, there are complicated accounting issues involved with both types of equity investments that require a high level of financial expertise.

### **Responsiveness to the Needs of the Community**

BNY has chosen to use qualified investments to respond to the critical need for affordable rental housing. One method to address this need is with "affordable housing buildings" such as those constructed or renovated through LIHTC. As a result of BNY making its investments in the form of equity investments, the benefit to the community is much greater than the amount of the investment. Equity investments provide the limited equity partnerships with capital which provides a base for additional credit.

## **SERVICE TEST**

BNY's rating on the service test is high satisfactory and is based on the bank's record of providing a relatively high level of banking services in its assessment area. The bank's delivery systems are reasonably accessible to most segments of the bank's assessment area. The bank has no branches in the Bronx and Kings Counties in MSA 5600. These activities are supplemented by direct sales activities conducted by the Mortgage Company and the bank's real estate division. Telemarketing through the bank's toll-free service lines and direct mail is also used to make the bank's products and services accessible to individuals residing in these counties. The bank provides a relatively high level of community development services to its assessment areas.

### **Accessibility of Delivery Systems**

BNY's delivery system, including the branch network, ATMs, and alternative banking functions, such as telephone access, is reasonably accessible to most segments of its assessment area. Moreover, the range of retail services is generally tailored to meet the convenience and needs of LMI and non-LMI.

As of examination date, BNY had 376 full-service branches and 6 drive-up teller branches in New York, New Jersey, and Fairfield County, Connecticut. Fifty-five, or approximately 15 percent, of the 376 branches are located in LMI geographies. In addition the bank operates 22 freestanding ATMs, 3 of which are in LMI geographies. BNY Mortgage delivers its mortgage products through six retail loan production offices and six satellite offices. Approximately 30 percent of the geographies within BNY assessment areas are low- or moderate-income.

Exhibit 6 shows the number of branch openings, closings, and acquisitions since the last examination. Exhibits NY-20, NJ-20 and CT-8 indicate the number of branches by county, MSA, and state.

### **Opening and Closing of Branches**

BNY opened 5 and closed 14 branches in New York and New Jersey during the examination period. One of the 14 closed branches was in a moderate-income community in Port Chester, NY (Westchester County). In addition, the bank downsized six full-service offices to drive-up tellers. The branch closings and downsizing, completed in accordance with a formal written policy, did not appear to have significant negative effect on the accessibility of the bank's services. BNY provided timely advance notification to affected customers of its decision to close the branches.

Customers' accounts were transferred to nearby branches, and information concerning the transfers was conveyed in advance by customer notice. Based on the proximity of the surviving branches and the continued availability of all bank services, it does not appear that the branch closings have adversely affected customers, particularly those in LMI communities. Exhibit 7 indicates the number of closed branches by county and MSA.

Twenty-two freestanding ATMs were opened in office buildings, hospitals, and retail establishments since the last examination, of which three are located in LMI geographies. In addition, 241 branches offer ATM service. Twenty-six of these branches are located in LMI geographies. BNY's automated teller

services are also available through the Cirrus and NYCE networks.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

The bank's business hours are reasonable and meet the needs of the assessment area. Ninety-three percent of the branches provide extended hours at least one day during the week and many are open on Saturdays. Sunday hours are available at the five new branches. All of the branch services are available during these extended hours.

BNY offers 24-hour a day access throughout the week to its Customer Service Center which handles direct inquiries and provides branch information, and retail product information, including fees and rates.

### **Community Development Services**

Senior management has been proactive in providing technical assistance to support affordable housing and develop small businesses. Officers serve as directors, advisors, or committee members of 30 housing-related and 47 economic development organizations. These groups have been helpful in providing key contacts and opportunities for lending.

Since the last examination, BNY Mortgage sponsored or participated in 48 homeownership seminars and fairs with approximately 23,654 attendees. The mortgage company closed 57 loans totaling \$7.3 million to borrowers who attended the homeownership seminars. In most cases, the borrowers had been referred through community groups affiliated with the New York Mortgage Coalition. BNY Mortgage, in cooperation with nonprofit community organizations, held these seminars throughout the bank's assessment areas, with a primary concentration in New York City.

## **COMPLIANCE WITH FAIR LENDING LAWS**

No credit practices were identified that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act and the Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

**EXHIBIT 1**

**Description of Institution**

<b>THE BANK OF NEW YORK</b>						
<b>STATE</b>	<b>NUMBER OF BRANCHES</b>	<b>%</b>	<b>DEPOSITS \$(000,000)</b>	<b>%</b>	<b>QUALIFIED INVESTMENTS \$(000) *</b>	<b>%</b>
NEW YORK	259	68.9	\$19,223	82.3	\$69,319	93.2
NEW JERSEY	109	29.0	\$3,548	15.2	\$5,074	6.8
CONNECTICUT	8	2.1	\$573	2.5	\$0	0
<b>BANK TOTAL</b>	<b>376</b>	<b>100.0</b>	<b>\$23,344</b>	<b>100.0</b>	<b>\$74,393</b>	<b>100.0</b>

\* Includes investments made by Aurora Holding Corp.

<b>LOANS</b>						
<b>STATE</b>	<b>NUMBER OF HMDA LOANS *</b>	<b>%</b>	<b>NUMBER OF SMALL BUSINESS LOANS</b>	<b>%</b>	<b>COMMUNITY DEVELOPMENT LOANS \$(000)</b>	<b>%</b>
NEW YORK	3,940	73.9	3,188	77.7	\$179,926	89.8
NEW JERSEY	1,210	22.7	885	21.6	\$20,504	10.2
CONNECTICUT	180	3.4	28	0.7	\$0	0
<b>BANK TOTAL</b>	<b>5,330</b>	<b>100.0</b>	<b>4,101</b>	<b>100.0</b>	<b>\$200,430</b>	<b>100.0</b>

\*Includes mortgage loans made by BNY Mortgage Company

**EXHIBIT 2**

**Multifamily Lending  
 January 1, 1996 - June 30, 1997**

COUNTY/ MSA/ STATE	LOW		MODERATE		MIDDLE		UPPER	
	LOAN	HOUSIN G UNITS	LOA N	HOUSIN G UNITS	LOA N	HOUSIN G UNITS	LOA N	HOUSIN G UNITS
<b>KINGS</b>			<b>1</b>	<b>90</b>				
<b>NEW YORK</b>	<b>2</b>	<b>150</b>	<b>2</b>	<b>1,778</b>			<b>2</b>	<b>72</b>
<b>WESTCHEST ER</b>			<b>2</b>	<b>122</b>			<b>4</b>	<b>416</b>
<b>MSA 5600</b>	<b>2</b>	<b>150</b>	<b>5</b>	<b>1,990</b>			<b>6</b>	<b>488</b>
<b>NASSAU</b>			<b>1</b>	<b>212</b>				
<b>MSA 5380</b>			<b>1</b>	<b>212</b>				
<b>NEW YORK</b>	<b>2</b>	<b>150</b>	<b>6</b>	<b>2,202</b>			<b>6</b>	<b>488</b>
<b>ESSEX</b>			<b>1</b>	<b>100</b>	<b>1</b>	<b>118</b>		
<b>UNION</b>			<b>1</b>	<b>308</b>			<b>1</b>	<b>116</b>
<b>MORRIS</b>							<b>1</b>	<b>134</b>
<b>MSA 5640</b>			<b>2</b>	<b>408</b>	<b>1</b>	<b>118</b>	<b>2</b>	<b>250</b>
<b>BERGEN</b>			<b>1</b>	<b>23</b>				
<b>PASSAIC</b>					<b>1</b>	<b>68</b>		
<b>MSA 0875</b>			<b>1</b>	<b>23</b>	<b>1</b>	<b>68</b>		
<b>MIDDLESEX</b>					<b>2</b>	<b>385</b>		
<b>MSA 5015</b>					<b>2</b>	<b>385</b>		
<b>NEW JERSEY</b>			<b>3</b>	<b>431</b>	<b>4</b>	<b>571</b>	<b>2</b>	<b>250</b>

<b>BONY TOTAL</b>	<b>2</b>	<b>150</b>	<b>9</b>	<b>2,633</b>	<b>4</b>	<b>571</b>	<b>8</b>	<b>738</b>
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INSERT  
EXHIBIT3.WK4  
HERE



**EXHIBIT 4**

<b>FLEXIBLE RESIDENTIAL LOAN ACTIVITY</b>										
<b>January 1, 1996 - June 30, 1997</b>										
	<b>New Jersey New Jersey</b>		<b>Connecticut</b>		<b>New York City</b>		<b>New York State</b>		<b>Total</b>	
<b>Product</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$ (‘000s)</b>	<b>#</b>	<b>\$ (‘000s)</b>	<b>#</b>	<b>\$ (‘000s)</b>	<b>#</b>	<b>\$ (‘000s)</b>
BNY-Grant/Subsidy	1	117	0	0	4	744	0	0	5	861
BNY-Immigrant	NA	NA	NA	NA	1	100	0	0	1	100
BNY-LMI Program	16	1,364	0	0	4	321	10	769	30	2,454
BNY-HOI	123	10,649	2	462	25	3,316	34	4,502	184	18,929
FHA ARM	5	571	0	0	3	408	9	1,022	17	2,001
FHA/VA Fixed	64	7,727	0	0	65	9,910	216	27,319	345	44,956
FNMA 2-4 Unit Pilot	0	0	0	0	51	9,273	9	1,544	60	10,817
FNMA 97% LTV	0	0	0	0	7	976	3	470	10	1,446
FNMA CHBP	4	488	0	0	21	2,784	9	1,094	34	4,366
NJHFA-CHBP	39	4,374	NA	NA	NA	NA	NA	NA	39	4,374
NJHFA-FHA	4	483	NA	NA	NA	NA	NA	NA	4	483
Reserve-HECM	63	8,511	5	772	14	2,140	46	6,805	128	18,228
Reserve-Homekeeper	12	2,311	2	430	3	536	4	738	21	4,015
Reserve-Tranamerica	1	125	0	0	1	125	2	250	4	500
SONYMA Construct.	NA	NA	NA	NA	2	250	62	7,592	64	7,842
SONYMA Low Down	NA	NA	NA	NA	10	1,529	62	7,906	72	9,435
SONYMA Low Int.	NA	NA	NA	NA	55	6,358	422	42,144	477	48,502
<b>Total</b>	<b>332</b>	<b>36,720</b>	<b>9</b>	<b>1,664</b>	<b>266</b>	<b>38,770</b>	<b>888</b>	<b>102,155</b>	<b>1,495</b>	<b>179,309</b>

NA - Product is not offered in this state.

EXHIBIT5.WK4  
HERE

**EXHIBIT 6**

**Branches Opened and Closed**

	January 1, 1996-August 1, 1997
Beginning Number of Branches	*377
Branches Opened	5
Branches Acquired	8
Branches Closed	14
Net Change	(1)
Ending Number of Branches	376

\* Includes 271 branches of BNY-New York and 106 of BNY-New Jersey.

**EXHIBIT 7**

**Branches Closed  
By County and MSA**

<b>County/MSA</b>	<b>Number of Closed Branches</b>
Westchester	4
Rockland	3
<b>MSA 5600 Total</b>	<b>7</b>
Nassau	2
Suffolk	1
<b>MSA 5380 Total</b>	<b>3</b>
Dutchess	1
<b>MSA 2281 Total</b>	<b>1</b>
Morris	2
<b>MSA 5640 Total</b>	<b>2</b>
Bergen	1
<b>MSA 0875 Total</b>	<b>1</b>
<b>Total</b>	<b>14</b>

**TABLE OF CONTENTS  
 NEW YORK STATE**

Institution's CRA Rating for New York State.....	BB28	
Description of Institution's Operations in New York State.....	BB29	
Description of Assessment Areas .....	BB29	
Performance Context .....	BB30	
Conclusions With Respect to Performance Tests in New York State.....	BB31	
Lending Test .....		BB31
Investment Test.....	BB36	
Service Test .....	BB37	
Metropolitan Statistical Area Analyses.....	BB39	
MSA 5600 (New York, NY) .....	BB39	
MSA 5380 (Nassau-Suffolk, NY) .....	BB49	
MSA 5660 (Newburgh, NY-PA), MSA 2281 (Dutchess County, NY), Non-MSA Counties (Sullivan and Ulster Counties).....	BB53	
Exhibits .....	BB57	
NY-1 Description of Institution's Operations in New York State.....	BB57	
NY-2 New York State Loans .....	BB58	
NY-3 New York State Demographics .....	BB59	
NY-4 Institution's Operations and Performance Context in MSA 5600 (New York, NY).....	BB60	
NY-5 Institution's Operations and Performance Context in MSA 5380 (Nassau-Suffolk, NY).....	BB61	
NY-6 Institution's Operations and Performance Context in MSA 5660 (Newburgh, NY-PA).....	BB62	
NY-7 Institution's Operations and Performance Context in MSA 2281 (Dutchess County, NY) .....	BB63	
NY-8 Institution's Operations and Performance Context in Non-MSA (Sullivan and Ulster Counties).....	BB64	
NY-9 Owner-occupied Unit Analysis for Home Purchase and Refinance Loans Across Census Tract Income Level.....	BB65	
NY-10 Demand-adjusted Analysis for Business Loans Across Census Tract Income Level.....	BB66	
NY-11 Distribution of Home Purchase and Refinance Loans Across Borrower Income Level.....	BB67	

NY-12	Distribution of Small Business Loans by Loan Size.....	BB68
NY-13	Distribution of Small Business Loans by Gross Annual Revenues in New York State.....	BB69
NY-14	Community Development Loans in New York State.....	BB70
NY-15	Community Development Loans in MSA 5600 (New York, NY) and MSA 5380 (Nassau-Suffolk) .....	BB71
NY-16	Community Development Loans in MSA 2281 (Dutchess), MSA 5660 (Newburgh), Non-MSAs, and Multiple MSAs .....	BB72
NY-17	Community Development Loans: Indirect Loans in Multiple MSAs ..	BB73
NY-18	Qualified Investments in New York State .....	BB74
NY-19	Qualified Investments in MSA 5600 (New York, NY), MSA 5380 (Nassau-Suffolk) and Multiple MSAs.....	BB75
NY-20	Number of Branches by County and MSA in New York State.....	BB76

**NEW YORK STATE**

***INSTITUTION'S CRA RATING FOR NEW YORK STATE:***

This institution is rated **SATISFACTORY**.

BNY's record of helping to meet the credit needs of its assessment areas in New York State through its lending activities is good. The bank's volume of qualified investments in the state is excellent and those investments are complex and responsive to the needs of its communities. The bank's system of delivering retail banking services in its assessment areas in the state is effective, and its participation in community development services throughout its assessment areas is reasonable.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK STATE:**

BNY conducts most of its business in New York State. Approximately 69 percent of the bank's branches and 82 percent of domestic deposits were in New York as of the examination date, August 18, 1997. In addition, approximately 74 percent of HMDA loans and 78 percent of small business loans originated during the examination period were originated in New York. For more details concerning the bank's operations in New York see exhibits1, NY-1, and NY-2.

BNY's primary lending focus is in large corporations. Despite offering a full line of mortgage loans and small business loan products, the bank is not a leading provider of either products in its New York State assessment areas based on management's focus on corporate lending. According to information from PCI Services provided by the bank, 1996 HMDA loans originated by the bank and the mortgage company represented 1.5 percent market share in the New York assessment areas. The mortgage company was ranked 32nd, and the bank was ranked 42nd out of 660 HMDA reporting lenders. As of examination date, aggregate data on small business lending was not available.

## **DESCRIPTION OF ASSESSMENT AREAS**

The bank's New York assessment areas include the following MSAs, portions of MSAs and non-MSAs:

- A portion of MSA 5600 (New York, NY) consisting of the entire counties of New York, Westchester, Queens, Kings, Bronx, Putnam and Rockland. Richmond County is not included. As indicated in Exhibit NY-4, the population of the area is approximately 8,167,869. Thirty-two percent of the area's 2,340 census tracts are designated as LMI. Forty-one percent of the area's 1,975,353 families are designated as LMI.
- MSA 5380 (Nassau-Suffolk, NY) consisting of the entire counties of Suffolk and Nassau. As indicated in Exhibit NY-5, the population of the area is approximately 2,609,212. Fifteen percent of the area's 574 census tracts are designated as LMI. Thirty-six percent of the area's 690,401 families are designated as LMI.
- A portion of MSA 5660 (Newburgh, NY-PA) consisting of the entire county of Orange, NY. Pike County, PA is not included. As indicated in Exhibit NY-6, the population of the area is approximately 307,647. Twenty-one percent of the area's 66 census tracts are designated as LMI. Thirty-five percent of the area's 77,895 families are designated as LMI.
- MSA 2281 (Dutchess, NY) consisting of the entire county of Dutchess. As indicated in Exhibit NY-7, the population of the area is approximately 259,462. Twenty-four percent of the area's 68 census tracts are designated as LMI. Thirty-six percent of the area's 65,238 families are designated as LMI.
- Non-MSA contiguous portions of Ulster and Sullivan Counties. As indicated in Exhibit NY-8, the population of the area is approximately 214,100. Two percent of the area's 63 census tracts are designated as LMI. Twenty-seven percent of the area's 54,296 families are designated as LMI.



## **PERFORMANCE CONTEXT**

The New York assessment areas comprise 64.8 percent of BNY's total assessment areas' population and 67.5 percent of the geographies. It also has the largest number of LMI geographies and LMI borrowers.

According to the Department of Labor, the unemployment rate for New York State increased slightly from 6.1 percent in June 1996 to 6.2 percent in June 1997. This is higher than the U.S. unemployment rate of 5.2 percent in June 1997. Services, government, retail trade, and manufacturing industries contribute to 77 percent of the employment for the state. Services and retail trade industry had the largest increases in employment, while government and manufacturing were the only industries with decreases in employment. See exhibits NY-3 through NY-8 for additional details regarding demographics and the bank's operations in the state of New York.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK STATE:

***The Lending Test is rated: “High Satisfactory”***

***The Investment Test is rated: “Outstanding”***

***The Service Test is rated: “High Satisfactory”***

### LENDING TEST

The bank's record of meeting the credit needs of its assessment areas in New York through its lending activities is rated high satisfactory. The geographic distribution across census tracts of different income levels is good and is strengthened by the number of multifamily housing units in LMI census tracts. The distribution of loans across different income levels and businesses of different sizes is good. Community development lending is excellent and the use of flexible lending practices is good.

#### Lending Activity

During the examination period, 97 percent of all HMDA and 99 percent of all small business loans originated in New York State were to borrowers or businesses located within the bank's New York assessment areas. However, BNY's volume of lending activity is weak and needs to improve. The bank's level of HMDA and small business lending is below that of most similarly situated institutions in New York State.

#### Geographic Distribution of Lending

The distribution of loans across geographies of different income levels in BNY's assessment areas in New York State is satisfactory. The geographic distribution of BNY's purchase mortgage and refinance loans is reasonable. The distribution of small business loans is weak. The bank's excellent record of supporting affordable housing through lending for multifamily housing in the New York City MSA strengthens the overall rating.

#### HMDA Activity

Home purchase and refinance loans accounted for 65 percent of BNY's HMDA activity in the New York assessment areas. Home purchase and refinance loans were originated in 43 percent of non-LMI geographies and 18 percent of LMI geographies within the New York assessment areas.

The demand-adjusted rate of originations for home purchase and refinance loans in the New York assessment areas is almost comparable in LMI geographies and non-LMI geographies. Home purchase and refinance loans in non-LMI geographies were 1.1 times greater than home purchase and refinance loans in LMI geographies. At the MSA and non-MSA level, the analysis shows that MSA 5600 (New York, NY), MSA 2281 (Dutchess, NY), and the non-MSA counties had weak levels of lending in LMI geographies on a demand adjusted basis.

The volume of home improvement loans is so small that this type of loan is not a significant factor in the bank's lending record and was not factored into BNY's rating for the lending test. Volume has been

declining for several years as a result of to the introduction of home equity loans and lines of credit with more favorable terms. The bank does not report the home equity loans and lines under HMDA.

Given of the very low affordability ratios in the New York assessment areas, particularly in MSA 5600 (New York, NY), the most effective way to support affordable housing in LMI areas is through multifamily rental lending. National Mortgage News ranked BNY 42nd in the nation among lenders based on its volume of multifamily financing in 1996. BNY originated 14 multifamily loans in the New York assessment areas, of which 8 were made in LMI geographies. Thirteen of the multifamily loans were made in MSA 5600 (New York, NY), where the need for multifamily unit loans is the greatest. The 14 multifamily loans originated in the New York assessment areas provided 2,840 housing units of which 2,352 or 83 percent were located in LMI geographies. Two of these loans also received credit as community development loans.

The bank's residential mortgage loan originations adjusted for demand (based upon the number of owner-occupied units) for each county within each MSA and non-MSA that comprise the bank's New York assessment areas are reflected in Exhibits NY-9.

### Small Business Activity

The geographic distribution of small business loans in the New York assessment areas is weak overall. The penetration of such loans in low-income census tracts is weak in all areas with the poorest performance in MSA 5600 (New York, NY) where only 6 percent of LMI tracts had loan originations during the examination period. In addition, demand-adjusted small business lending is weak; the ratio of small business loans to business establishments in middle- and upper-income geographies is 1.7 times the ratio in LMI geographies.

On an annualized basis, small business loan volume decreased 31 percent since the last examination. In response to the drop in small business loan volume, management instituted various policy changes which have resulted in a substantial increase in the loan volume in 1997. For calendar year 1996, the bank originated 1,630 small business loans. For the six months ending June 30, 1997, the bank originated 1,558 small business loans.

BNY's small business originations adjusted for demand (number of small business loans to the number of business establishments in each MSA and non-MSA) for each county within each MSA and non-MSA that comprise the bank's New York assessment areas are shown in Exhibit NY-10.

### Borrower Characteristics

The bank demonstrated a good record of lending to moderate-income individuals and businesses of different sizes. These two target markets have lending opportunities which the bank can reasonably be expected to serve. The bank's limited record of lending to low-income borrowers was evaluated in light of median housing costs in the bank's assessment areas. Housing cost information is incorporated in the performance context and is considered when assessing a bank's opportunity to provide credit and its actual lending performance.

### HMDA Activity

The distribution of loans across applicant income levels is reasonable. Only three percent of purchase mortgage and refinance loans were made to low-income borrowers compared by 23 percent of the families in the New York assessment areas that are of low-income. The ratios improved significantly at the moderate-income level; 17 percent of purchase mortgage and refinance loans were made to moderate-income borrowers compared to 16.5 percent of the families in the New York assessment areas that are of moderate-income.

Lending activity in MSA 5600 (New York, NY) heavily influences the overall rating for New York State because most of the lending opportunity and most of the loans in the assessment areas in New York State are in this MSA. The low affordability ratio is a mitigating factor in HMDA lending in MSA 5600 (New York, NY). In MSA 5600 the affordability ratio is 17.4 percent, indicating that LMI families in this MSA have limited opportunities for homeownership no matter how flexible the lending program. For additional information about BNY's record of lending to borrowers of different income levels see Exhibits NY-11.

### Small Business Activity

The distribution of loans to businesses of different sizes is very good. Of the 3,188 small business loans made in the New York assessment areas during this examination period, 2,189 loans or (69 percent) were for amounts less than or equal to \$100 thousand. The average size of the originations in this category was just over \$39 thousand indicating that the bank is responsive to the credit needs of the very small businesses in its New York assessment areas.

See Exhibit NY-12 for more information concerning the distribution of small business loans by the size of the loan in New York.

Approximately 31 percent (or 974) of BNY's small business loans were made to businesses with reportable gross annual revenues of \$1 million or less. Another one third (or 1,040) of the small business loans were made to businesses where the borrower's gross annual revenue was not a factor in the credit decision. Loan sampling and discussions with bank management revealed that these small business loans included loans to start-up businesses, loans based on collateral, and loans where a credit scoring system was used. If these borrowers had reported gross annual revenue, it would have been below \$1 million in most cases. Adding these loans to those with reportable gross annual revenues of \$1 million or less produces a ratio of 63 percent which compares favorably with the 84 percent of business establishments in the bank's New York assessment areas that have gross annual revenues of \$1 million or less. See exhibit NY-13 for the distribution of small business loans by gross annual revenue in New York.

### **Community Development Lending**

BNY's community development lending in New York State is excellent. The bank had \$180 million in community development loans in New York State at this examination of which \$85 million was in new money. Forty-four percent of this lending in New York supported affordable housing, 6 percent supported economic development, and 49 percent supported the revitalization or stabilization of LMI geographies within the assessment areas.

Approximately seventy-six percent, or \$136 million, of community development loans in New York are in MSA 5600 (New York, NY). Of this total, \$119 million was new money, and \$30 million of the new money supported affordable housing in response to a critical need in the New York City MSA. Community development lending in this MSA provided loans for the construction of 595 units of affordable housing, specifically single-family and multifamily homes, and loans to carry mortgages on multifamily buildings.

The second largest concentration of community development dollars in New York State was in MSA 5380 (Nassau-Suffolk) with \$22.3 million of which \$21.8 million was new money. Most of the new money, \$19.4 million, was in one loan for the construction of 228 affordable housing units for senior citizens.

The balance of community development lending in New York is spread somewhat unevenly across the remaining assessment areas (see Exhibits NY-14 through NY-17 for details). Institutions are not required to make community development loans throughout their assessment areas. Therefore, a limited amount or even a lack of community development lending in a particular assessment area does not detract from the evaluation of that area for the lending test.

### **Innovative or Flexible Lending Practices**

BNY's record of the use of flexible lending practices to address the credit needs of LMI individuals or geographies is adequate in New York State. In addition to the loan products discussed below which are exclusive to New York through SONYMA and the New Immigrant Program, the bank provides the loan products specified in Exhibit 4.

### **SONYMA**

BNY makes home mortgage loans under the SONYMA Low Down Payment Program, the SONYMA Low Interest Rate Program, and the SONYMA Construction Incentive Program. SONYMA provides loans with low or no down payments to eligible first-time home buyers in New York State. These loans encourage homeownership in areas where the median family income is at a specified percentage below the statewide median. The SONYMA Low Interest Rate program provides a below-market interest rate to moderate-income borrowers who meet specific income requirements. The SONYMA Construction Incentive Program provides a below-market rate to LMI borrowers for new home construction.

### **New Immigrant Program**

Under this program, loans are made to recent immigrants who have been counseled by a New York Mortgage Coalition Group. The program is designed to identify language barriers, non-traditional savings methods and non-traditional credit histories common among the immigrants.

## **INVESTMENT TEST**

The bank's record of meeting the community development needs of its assessment areas in New York through qualified investments is rated outstanding.

### **Volume**

BNY had \$69.3 million in qualified investment in New York State at this examination. Approximately \$17.3 million or 25 percent of that total was originated during the current examination period. Of the new originations, \$12.9 million or 74 percent was in support of affordable housing, mostly in the form of affordable housing tax credits. Just under \$3.9 million or 22.4 percent was in equity type investments in CDCs that support economic development by investing in or lending to small businesses. The balance, \$560 thousand, was in the form of grants to support various community development projects.

### **Innovative and Complex**

Direct investments in affordable housing tax credits and CDCs are not innovative, but they are complex. Though the tax credits derived from such investments are used over a ten-year period, the bank's obligation to verify that buildings developed under the program continue to provide affordable housing lasts for 15 years. This requires a substantial commitment in time and expertise on the part of the bank. In addition, complicated accounting issues relating to both types of equity investments require a high level of financial expertise.

### **Responsiveness to the Needs of the Community**

BNY's qualified investments are responsive to the identified need of affordable rental housing within their bank's assessment areas. Direct investments in affordable housing have provided in excess of 400 affordable housing units throughout BNY's assessment areas in the state. Of this total, 86 percent or 346 units are in MSA 5600 (New York, NY) where a critical need for affordable rental units has been identified. Equity investments in CDCs promote economic development by supporting small businesses, a primary source of LMI jobs.

## **SERVICE TEST**

BNY's record of meeting the credit needs of its community through the effectiveness of its delivery system for retail bank services and its involvement in community development services is rated high satisfactory in New York State.

### **Accessibility of Delivery System**

The bank's delivery system, which includes its branch network, telephone access, and ATM facilities, is satisfactory. Branch offices are reasonably dispersed throughout the assessment areas except for the Bronx and King Counties, where there are no BNY branches. The New York branch network consists of 259 branches with 37 or 14 percent of them located in LMI communities. One hundred and fifty-nine, or 61 percent, of the branches in New York State are in Westchester, Nassau, and Suffolk Counties. The next large concentrations of BNY's branches are in Rockland, New York, Queens and Orange Counties which account for 30 percent (or 77 branches) of the New York State branch network. Westchester, Suffolk and Nassau Counties collectively account for 65 percent (or 24) of the total number of branches located in LMI geographies in the bank's New York assessment areas. New York and Queens Counties have a total of 5 branches in LMI geographies, representing 13.5 percent of the branches in the bank's New York assessment areas.

One hundred and sixty-two branches have ATMs, and ten freestanding ATMs were added to the network during the last examination period. These freestanding ATMs are located in offices, hospitals, and retail establishments. Sixty-two ATMs are located in LMI communities.

These activities are supplemented by the direct sales activities conducted by the Mortgage Company and the bank's real estate lending division. Telemarketing through the bank's toll-free service lines and direct mail is also used to make the bank's products and services accessible to individuals residing in these counties.

### **Opening and Closing of Branches**

Eleven branches were closed and one was opened during this examination period. Branches were closed in Westchester, Rockland, Nassau, Suffolk, and Dutchess Counties. Six of the closed branches were located in upper-income geographies, four were in middle-income geographies, and one was in a moderate-income census tract. Six full-service branches in the Mid-Hudson Valley area were converted to drive-up tellers during the examination period. These downsized branches provide deposit and withdrawal services only. Account relationships and other branch functions were transferred to nearby branches.

The reduction in service was attributed to a declining deposit base and low profitability. The branch closings and downsizing were in accordance with BNY's written branch closing policy and did not have a negative effect on the accessibility of the bank's services. Customers' accounts were transferred to nearby branches and appropriate notification was provided.

**Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Business hours are reasonable and meet the needs of the assessment area. Extended evening and Saturday hours are available at most branches.

**Community Development Services**

BNY participation in community development services is strong, particularly in New York and Westchester Counties. BNY Mortgage sponsored or participated in a total of 37 homeownership seminars and housing fairs with most of the events taking place in New York City. The bank and BNY Mortgage staff are actively involved with community groups that promote affordable housing and economic development lending and they serve as directors, committee members, and advisors.



## **METROPOLITAN STATISTICAL AREA ANALYSIS**

### **MSA 5600 (NEW YORK, NY)**

BNY's record of meeting the credit needs of its community through its lending activities is very good in the MSA. An adequate distribution of loans across geographies of different income levels is improved to good as a result of the bank's record of lending for multifamily rental housing. The distribution of loans to families of different income levels and to businesses of different sizes is very good and the bank's use of flexible lending practices to provide loans to LMI borrowers is very good. Community development lending activity is strong. Commitments totaled \$136 million in this MSA and accounted for approximately 76 percent of total community development lending in New York State. BNY also has an excellent level of qualified community development investments. The MSA accounted for 90 percent of BNY's qualified investments in New York State and 84 percent of BNY's total qualified investments. The delivery system is weak in Bronx and Kings Counties where there are no branches, and ATM service is limited to two new freestanding facilities, but the bank strongly supports community development service activities in the MSA.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS**

BNY's banking operations in New York State are concentrated primarily in MSA 5600 (New York, NY). As of the examination date, approximately 48 percent of the bank's branches and 78 percent of its domestic deposits in New York were in MSA 5600. In addition, approximately 62 percent of HMDA loans and 58 percent of small business loans originated in New York during the examination period were in MSA 5600.

### **PERFORMANCE CONTEXT**

As the largest MSA in the bank's New York assessment areas, 71 percent of the population living within the bank's New York assessment areas live in this MSA. It also has the largest number of LMI geographies and LMI borrowers. The three northern MSA counties of Westchester, Putnam, and Rockland have higher median family incomes than the New York City counties. The average median family income for the four counties of New York City is \$33,192, which is 44 percent lower than the average median income of \$59,411 for the three northern counties .

There are 3.3 million housing units in MSA 5600, but only 30.2 percent are owner-occupied which is below the 41.9 percent level for all of the bank's assessment areas in New York. The number of rental units in the MSA are double the number of owner-occupied units, and the median gross rent is \$501 per month. Approximately 77 percent of the rental units in the MSA rent for less than \$700 per month. The median housing value in the MSA is \$212 thousand and 80 percent of the owner-occupied houses in the MSA are valued at more than \$150 thousand. While most LMI families in the MSA, especially in the New York City portion of the MSA, can afford the median rent, the cost of homeownership is beyond their means.

The unemployment rate increased from 7.8 percent in June 1996 to 8.8 percent in June 1997 for MSA 5600 (New York, NY). While unemployment rates dropped for the northern counties of Westchester,

Rockland, and Putnam, all New York City counties experienced increases in unemployment. The finance, insurance, real estate, and services industries continue to be major contributors to employment and the local economy. However, in response to economic and competitive pressures, these industries have consolidated and downsized during the past decade and are continuing to shift operations from New York City to Westchester, Putnam, and Rockland Counties. The public sector, including federal and municipal agencies, has also suffered the effects of consolidation and reduced revenue, thus limiting the creation of new jobs throughout the MSA. The number of light industry and manufacturing jobs in the metropolitan area continue to decline following a 30 year trend. Only in the garment and apparel industries have job losses recently abated. In contrast, health and human services, education, and social services remain strong and continue posting modest job gains.

The demographics in MSA 5600 (New York, NY) vary considerably by county. Bronx, Kings, New York, and Queens Counties have significant concentrations of LMI populations mixed with a smaller highly affluent population. Unemployment rates range from 8.9 percent in Queens to 12.1 percent in the Bronx and the median family incomes ranging from \$25 thousand in Bronx to \$40 thousand in Queens. In contrast, Westchester, Rockland, and Putnam counties, are more affluent with median family income of approximately \$60 thousand and an unemployment rate near 3 percent. For additional demographic information concerning MSA 5600 see Exhibit NY-4.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **IN MSA 5600 (NEW YORK, NY)**

#### **LENDING TEST**

BNY's record of meeting the credit needs of its community through its lending activities is very good in MSA 5600 (New York, NY). A weak distribution of loans across geographies of different income levels is improved to good as a result of the bank's record of providing lending for multifamily rental housing.

The distribution of loans to families of different income levels and to businesses of different sizes is very good and the bank's use of flexible lending practices to provide loans to LMI borrowers is very good.

#### **Geographic Distribution of Lending**

##### *HMDA Activity*

Demand-adjusted penetration of purchase mortgage and refinance loans in LMI census tracts was significantly less than the penetration in non-LMI census tracts. Exhibit NY-9 shows that loan activity on a demand-adjusted basis was 1.7 times greater for originations in non-LMI census tracts. The ratio of originations (on an annualized basis) in LMI census tracts has declined 25 percent since the last examination. With the exception of Queens County, each county in the MSA reflects a lower level of home purchase and refinance loans in LMI census tracts compared to the last examination. The weakest levels of lending in LMI census tracts were noted in Kings and New York Counties.

The bank's performance in this MSA is heavily influenced by its performance in New York and Westchester Counties. Sixty-nine percent of purchase mortgage and refinance loans and 65 percent of all HMDA loans were made in New York and Westchester Counties. A good performance in Westchester was offset to some degree by a weak performance in New York.

BNY's purchase mortgage and refinance lending activity was compared to that of other similarly situated HMDA lenders for the calendar year 1996. When the ratio of demand-adjusted loans originated in LMI census tracts to demand-adjusted originations in non-LMI census tracts is used as a measure, BNY outperformed its larger peers but under performed most of its smaller peers and the aggregate of all HMDA lenders.

Because of the very low affordability ratios in MSA 5600 (New York, NY), the most effective way to support affordable housing in the LMI areas is through the financing of multifamily rentals. BNY originated 13 loans for multifamily housing in this MSA, of which 7 were made in LMI geographies.

The 13 multifamily loans originated in the MSA provided 2,628 housing units, of which 2,140 (81 percent) were located in LMI geographies. See Exhibit 2 for the details of lending for multifamily housing.

#### Small Business Activity

Geographic distribution of small business loans in MSA 5600 (New York, NY) is weak. The loan penetration of census tracts is weak, and on a demand-adjusted basis, the ratio of small business loans to business establishments in middle- and upper-income census tracts is 2.3 times greater than the ratio in LMI census tracts. BNY's small business lending patterns are similar to its HMDA lending patterns in this MSA in that 61 percent of all small business loans were originated in Westchester and New York Counties. As with the HMDA lending, a weak performance in New York County offset a good performance in Westchester. See Exhibit NY-10 for details of the distribution of small business loans in New York.

For 1996, all similarly situated institutions outperformed BNY in MSA 5600. Based on the volume of loans to total assets ratio and demand-adjusted lending ratios. It should be noted, however, that the volume of BNY's small business lending improved significantly during the first six months of 1997.

## **Borrower Characteristics**

### **HMDA Activity**

The distribution of HMDA loans across applicant income levels appears to be weak for LMI borrowers primarily because the percentage of loans made to low-income borrowers is quite low when compared to the percentage of low-income families living in the MSA. The comparison improves at the moderate-income level. See Exhibit NY-11 for the lending detail and Exhibit NY-4 for the demographic detail.

The low level of HMDA lending to low-income applicants is a function of the high cost of homeownership in MSA 5600. Most low-income applicants can not afford to buy or own a home in this MSA.

For 1996, BNY outperformed most similarly situated institutions when the number of purchase and refinance loans originated to LMI borrowers as a percentage of the total number of purchase and refinance loans originated is used as the measure. However, when total purchase mortgage and refinance loans originated to LMI borrowers is compared to the institution's size based on (total assets), all but one of the similarly situated institutions outperformed BNY.

### **Small Business Activity**

BNY's record with regard to this performance characteristic is good. The distribution of loans to businesses of different sizes in MSA 5600 is very good. Of the 1,835 small business loans made in this MSA, 1,202 or 65.5 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$40.8 thousand, indicating a good distribution of loans to smaller businesses when the size of the loan is used as a proxy for the size of the business.

This indication is supported by the percentage of small loans to businesses with gross annual revenues of \$1 million or less. Approximately 29 percent of BNY's small business loans in MSA 5600 were made to businesses with reportable gross annual revenues of \$1 million or less. Another 34 percent of loans were made to businesses where the revenue data was not collected. When these two categories are added together, the total percentage of 63 compares favorably with the approximately 83 percent of business establishments in this MSA that have gross annual revenues of \$1 million or less. See Exhibit NY-13 for details of small business lending by income.

## **Community Development Lending**

Institutions are not required to make community development loans in all geographies within its assessment areas, and a lack of such lending in an area does not detract from the evaluation of the area under the lending test. Community development loans and commitments totaled \$136 million in this MSA and accounted for approximately 76 percent of total community development lending in New York State. Thirty-three percent or \$44.4 million of community development loans in this MSA were in support of affordable rental housing which has already been identified as a critical need in the area. See Exhibit NY-17 for details of community development lending in MSA 5600.

Projects that revitalize and stabilize LMI geographies accounted for \$88 million or 64.5 percent of

community development lending in this MSA. Economic development initiatives received \$2.8 million in funding while community service programs received \$1 million in funding.

## **INVESTMENT TEST**

As is the case with community development lending, an institution is not required to make qualified investments in all geographies within its assessment areas. However, qualified investments are evaluated in terms of their responsiveness to an identified funding/investment need, and such needs are usually related to a specific geographic area. MSA 5600 accounted for approximately 90 percent of BNY's qualified investments in New York State and 84 percent of BNY's total qualified investments. Ninety-three percent (or \$59.3 million) of these investments support affordable rental housing primarily through equity investments in LIHTC. The need for this type of investment is evident in many of the geographies within BNY's assessment areas, particularly in MSA 5600. See Exhibit NY-19 for details of qualified investments in MSA 5600.

## **SERVICE TEST**

BNY's record of meeting the credit needs of its community through the effectiveness of its delivery system for retail bank services and its involvement in community development services is low satisfactory in MSA 5600.

### **Accessibility of Delivery Systems**

The delivery system is weak in Bronx and Kings Counties as there are no branches, and ATM service is limited to two new freestanding facilities. In total, there are 125 branches in the other counties in MSA 5600; 15 of those branches are located in LMI geographies. Ten of these branches are located in Westchester County. Four branches are located in LMI geographies in New York County and one branch is in a LMI census tract in Queens County. An additional five new freestanding ATMs were added in Westchester County during the examination period. The ATMs in Bronx County are located at St. Barnabas Hospital, which is in a low-income census tract. As discussed above, these activities are supplemented by direct sales activities conducted by the Mortgage Company and the bank's real estate lending division. Telemarketing through the bank's toll-free service lines and direct mail is also used to make the bank's products and services accessible to individuals residing in these counties.

### **Opening and Closing of Branches**

The bank's record of opening and closing branches is adequate. Since the last examination, four branches in Westchester County and three branches in Rockland County were closed. One of the closed Westchester branches was located in a moderate-income census tract in Port Chester.

The branch closings have not reduced accessibility to bank services. Based on the proximity of nearby branches and the continued availability of all branch services, these branch closings have not adversely affected customers, particularly those in LMI communities. These closings complied with BNY's written branch closing policy.

### **Community Development Services**

The bank strongly supports community development service activities in MSA 5600. Senior officers are active in community groups that promote affordable housing and small business development. They also provide technical assistance on financial matters to groups servicing LMI housing and economic development needs. Some of the groups include the New York City Housing Partnership, Neighborhood Housing Services of the Bronx, Westchester Housing Opportunity Fund, and South Bronx Overall Economic Development Corp.

The bank actively participated in housing and homeownership fairs throughout New York City and Westchester and Rockland Counties. BNY hosted or participated in twenty-five events in which more than 10 thousand individuals attended.



## **METROPOLITAN STATISTICAL AREA ANALYSIS**

### **MSA 5380 (NASSAU-SUFFOLK, NY)**

BNY's record of meeting the credit needs of its community through its lending activities is very good in the MSA. A good distribution of loans across geographies of different income levels is strengthened by the bank's record of lending for multifamily rental housing. The distribution of loans to families of different income levels and to businesses of different sizes is very good, and all flexible lending products offered in New York State are available at the branches in this MSA. BNY's community development lending (\$22 million) and qualified investment activities (\$4.7 million) reflect excellent responsiveness to assessment area credit needs. The bank's delivery systems are reasonably accessible to most segments of the assessment area and its involvement in community development services is also reasonable.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS**

As of examination date, August 18, 1997, BNY maintained 95 branches in this MSA, representing 36.7 percent of total branches in the New York assessment areas. These Nassau-Suffolk branches held \$3 billion in domestic deposits, which represents 15.8 percent of total deposits in the New York assessment areas. This MSA had 14 branches in LMI geographies; 9 in Suffolk County and 5 in Nassau County.

Forty-nine of the branches and 55.4 percent of the deposits in the MSA are in Nassau County. During the examination period, the bank and the mortgage company originated 1,078 HMDA loans, and the bank originated 745 small business loans in MSA 5380.

### **PERFORMANCE CONTEXT**

This is the second largest and the wealthiest MSA of the bank's New York assessment areas. It comprises 22.6 percent of New York assessment areas' population and 18.5 percent of the geographies. According to the 1990 U.S. Census, the MSA 5380 assessment area had a population of 2.6 million, with a median family income of \$57 thousand. The housing stock is older in this MSA, with a median housing age of 44, compared with a median housing age of 39 years for the state. For additional details concerning the demographics of the MSA see Exhibits NY-3 and NY-5.

The unemployment rate decreased from 4.3 percent in June 1996 to 3.6 percent in June 1997 for MSA 5380. The finance industry (which includes insurance and real estate), the services industry, and manufacturing continue to be major employers. The Long Island economy is rebounding with the growth of small businesses and high-technology employers attracted to the region by its skilled white-collar workforce. Government and industry programs designed to convert defense manufacturing capacity to private sector markets and retain displaced workers is aiding this growth.

With a population of 1.7 million, Nassau County has the highest median family income at \$61 thousand and the highest level of owner-occupied housing units of any county in the New York assessment areas.

Thirty-three percent of the families living in the county are LMI. Moderate-income families in this county earn more than double what moderate-income families earn in nearby Bronx, Kings, New York,

and Queens Counties. Nassau County's unemployment rate was 3.3 percent in June 1997.

Suffolk County has a population of 1.3 million and a median family income of \$53 thousand. Thirty-nine percent of the families in the county are LMI. Suffolk County's unemployment rate was 3.8 percent in June 1997.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **IN MSA 5380 (NASSAU-SUFFOLK)**

#### **LENDING TEST**

BNY's record of meeting the credit needs of its community through its lending activities is very good in MSA 5380. A good distribution of loans across geographies of different income levels is strengthened by the bank's record of lending for multifamily rental housing. The distribution of loans to families of different income levels and to businesses of different sizes is very good, and all flexible lending products offered in New York State are available at the branches in this MSA.

#### **Geographic Distribution of Lending**

##### *HMDA Activity*

Purchase mortgage and refinance activity in LMI census tracts is strong in both counties within the MSA. Demand-adjusted penetration ratios in LMI census tracts was significantly greater than in non-LMI census tracts. Exhibit NY-9 shows that purchase mortgage and refinance loan activity on a demand-adjusted basis for the MSA was 1.8 times greater for originations in LMI census tracts than in non-LMI census tract. Overall, census tract penetration was good, with 58 percent penetration in both LMI census tracts and non-LMI census tracts.

A review of the geographic distribution of all HMDA loans indicates that loans were made throughout the MSA, with the strongest concentrations in the northern sections of Nassau County and in the Riverhead, East Hampton, and South Hold sections of Suffolk County.

##### *Small Business Activity*

Geographic distribution of small business loans in MSA 5380 is reasonable. The penetration of census tracts is reasonable and on a demand-adjusted basis, the ratio of small business loans to business establishments in middle- and upper-income census tracts is 1.1 times greater than the ratio in LMI census tracts. The percentage of low-income census tracts penetrated by small business loans ranged from 0 percent in Nassau County to 11 percent in Suffolk County. Overall census tracts penetration was almost comparable in Nassau and Suffolk Counties at 48 and 47 percent, respectively. See Exhibit NY-10 for details.

#### **Borrower Characteristics**

##### *HMDA Activity*

Overall, the distribution of loans to low income borrowers is weak when compared to the proportion of the low income residents living in the bank's assessment areas in MSA 5380 but it is strengthened by loans made to moderate-income borrowers. Only 5 percent of purchase mortgage and refinance loans were made to low-income borrowers as compared to 16 percent of the families in this MSA that are of low-income. However, the distribution of loans to moderate income borrowers is excellent when compared

to the proportion of moderate-income residents. Thirty-one percent of purchase mortgage and refinance loans were made to moderate-income borrowers and 19 percent of the families in this MSA are of moderate-income. Exhibit NY-11 provides details concerning performance within the individual counties in the MSA.

### Small Business Activity

The distribution of loans to businesses of different sizes in MSA 5380 is excellent. Of the 745 small business loans made in this MSA, 571 or 77 percent were for loan amounts less than or equal to \$100 thousand. The average size of the originations in this category was approximately \$36 thousand, indicating that the bank is responsive to the credit needs of very small businesses in this MSA.

Approximately 67 percent (or 497) of BNY's small business loans in MSA 5380 were made to businesses with gross annual revenues of \$1 million or less or to businesses where the revenue data was not collected. This percentage compares favorably with 84 percent, the corresponding percentage of business establishments in this MSA that have gross annual revenues of \$1 million or less. For details concerning small business lending see Exhibits NY-12 and NY- 13.

### Community Development Lending

BNY had \$179 million in community development lending in New York, and of that total, \$22 million (or 12 percent) was originated in or committed to MSA 5380. Community development lending is evaluated at the state level, and therefore the presence or absence of community development within a particular MSA does not affect the lending test conclusion for that MSA. For details concerning community development lending in MSA 5380 see exhibit NY-16.

### Innovative and Flexible Loan Products

All flexible loan products available in New York State, with the exception of the Immigrant Loan Program, are also available through the bank's branches in MSA 5380.

## **INVESTMENT TEST**

Approximately 6.8 percent (or \$4.7 million) of total qualified investments made in New York State were in MSA 5380 of which two-thirds (or \$3.1 million) supports affordable housing development and one-third supports economic development. Institutions are not required to make qualified investments in all geographies within its assessment areas. However, qualified investments are evaluated as to their responsiveness to an identified need and such needs are usually related to a geographic area. See Exhibit NY-19 for details of qualified investments in MSA 5380.

## **SERVICE TEST**

BNY's record of meeting the credit needs of its community through the effectiveness of its delivery system for retail bank services and its involvement in community development services is reasonable in MSA 5380.

### **Accessibility of Delivery System**

With a network of 95 offices representing 36.7 percent of BNY's New York State branch network, retail banking service is generally effective, particularly in the LMI geographies. Fourteen (or 14.7 percent) of these branches are in LMI communities. Two freestanding ATMs, one each in Jericho and Bellport, were added to the network during the examination period.

### **Opening and Closing of Branches**

The bank's record of opening and closing branches is adequate. Since the last examination, three branches were closed and one was opened. Two of the closed branches were located in Nassau County and the other was in Suffolk County. The branch closings did not adversely affect the accessibility of the bank's delivery system, particularly in LMI geographies. In July 1997, BNY opened a supermarket branch in the Waldbaums Supermarket located on Manetto Hill Road in Plainview, Nassau County.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Branch business hours are reasonable and include Saturday hours at most branches.

### **Community Development Services**

Participation in community development service is adequate. BNY Mortgage participated in nine home buyer seminars that covered SONYMA, VA, and HUD programs. Seminar locations included Copiague, West Islip, Riverhead, and Westhampton. Bank staff serves on various loan committees, advisory boards for economic development, and affordable housing groups. These groups include: Brookhaven Economic Development Commission, Montauk Economic Development Advisory Committee, Garden City Business Planning Coalition, and Long Island Economic Development Corp.

## **METROPOLITAN STATISTICAL AREA ANALYSIS**

### **MSA 5660 (NEWBURGH, NY-PA); MSA 2281 (DUTCHESS, NY) ; NON-MSA (SULLIVAN AND ULSTER COUNTIES, NY**

BNY's record of meeting community credit needs through its lending activities, delivery of banking service and participation in community service activities is generally good.

#### **DESCRIPTION OF INSTITUTION'S OPERATIONS**

BNY operates 39 branches or 15 percent of the bank's total New York State branch network in the remaining assessment areas in New York State, which includes Dutchess County in MSA 2281, Orange County in MSA 5660, and in portions of the non-MSA counties of Sullivan and Ulster. Approximately 5.8 percent (or \$1.1 billion) of the bank's domestic deposits were collectively held in these branches on the examination date. During the examination period, 11 percent of BNY's HMDA loans and 20 percent of small business loans originated or purchased in New York were located in these counties. For more details concerning the bank's operations in these four counties refer to Exhibits NY-1 and NY-2.

#### **PERFORMANCE CONTEXT**

BNY delineates Orange County in MSA 5660 (Newburgh, NY-PA) and Dutchess County in MSA 2281 (Dutchess, NY) as part of its New York assessment areas. The unemployment rate decreased for Orange County from 4.5 percent in June 1996 to 4 percent in June 1997. The local dominant industries are services, retail trade, government and government enterprises. Newburgh, the central city of MSA 5660, has experienced gradual economic decline over the past 40 years as a result of the departure of many manufacturing and commercial establishments and a drop in the number of retail and services establishments.

The unemployment rate for MSA 2281 decreased from 4.2 percent in June 1996 to 3.5 percent in June 1997. The dominant industries in MSA 2281 are manufacturing, retail trade, and health and educational services. IBM Corp is the largest employer in the areas. Its 1994 downsizing indirectly resulted in the loss of 11 thousand manufacturing jobs, a four fold increase in the number of bankruptcies, and a reported 50 percent drop in retail sales.

The bank also includes the eastern half of two non-MSA counties, Ulster and Sullivan, in its assessment areas in New York. The unemployment rates decreased for both counties. In Sullivan County the unemployment rate dropped from 5.9 percent in June 1996 to 4.7 percent in June 1997. Ulster County's unemployment rate dropped from 4.7 percent in June 1996 to 3.8 percent in June 1997. The dominant industries in these counties are retail trade, services, and construction. For more information concerning the demographics of Newburgh, Dutchess, Sullivan and Ulster Counties see Exhibits NY-6 through NY-8.

#### **LENDING TEST**

BNY's record of meeting community credit needs through its lending activities in MSAs 5660 and 2281 and in the non-MSA counties of Sullivan and Ulster is generally good. The volume of HMDA lending is low, but the distribution of HMDA and small business loans across geographies of different income levels is excellent. The distribution of HMDA loans to families of different incomes is also very good.

The percentage of small business loans of \$100 thousand or less is very good and ranges from 65 percent in Dutchess County to 85 percent in Ulster County. The bank's record of lending to small businesses is very good based on the lending to small businesses with gross annual revenues of \$1 million or less and to businesses in which revenue was not used in the credit decision. These ratios range from 52 percent for Orange County up to 76 percent for Ulster County. For more details concerning the geographic distribution in these counties see exhibits NY-9 through NY-11. For details concerning borrower characteristics see exhibits NY-12 through NY-15. BNY has approximately \$8 million in community development loans in these four counties, and offers the same flexible loan products as in New York, except for the Immigrant Mortgage Loan product.



## **INVESTMENT TEST**

No qualified investments were made in Orange, Dutchess, Ulster, or Sullivan Counties during this examination period. A bank's performance with regard to the Investment Test is evaluated at the state level and for the bank as a whole. Therefore, the presence or absence of qualified investments within a particular MSA or non-MSA assessment area does not affect the conclusion regarding a bank's performance in those areas.

## **SERVICE TEST**

BNY's performance of delivering banking services is satisfactory based on good accessibility to the bank's products, services, and branch offices and good management participation in community service activities.

### **Accessibility of Delivery Systems**

BNY's products and services are reasonably accessible in Dutchess, Orange, Ulster, and Sullivan Counties. The branch network consists of 39 branches of which 8 are in LMI geographies.

In 1997, services at six branches in Dutchess County were reduced to drive-up teller facilities, processing deposits and withdrawals only. Account relationships and other branch functions were transferred to nearby branches. Three of the downsized branches are located in Poughkeepsie and the other branches are in Kingston, New Windsor, and Rock Hill. Two of the downsized branches located in Poughkeepsie are in LMI geographies. Bank management attributed the reduction in service to the decline in the branches' profitability. Based on the proximity of the nearby branches and the continued availability of bank services, the reduction in branch services did not adversely affect that customers, particularly those in LMI communities. To enhance the delivery system, a new freestanding ATM was opened in Rock Hill.

### **Opening and Closing of Branches**

The Poughkeepsie Galleria Branch was closed during the second quarter of 1997. Accounts were transferred to the Poughkeepsie Plaza Branch. Both branches were located in an upper income census tract.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Business hours are reasonable. All branches offer extended hours at least one day during the week and two branches provide extended hours on Saturdays.

### **Community Development Service**

Participation in community development service is adequate. BNY Mortgage sponsored a mortgage seminar in Port Jervis and two homeownership seminars in Sullivan County. Bank staff serve as board members and advisors of several groups involved with affordable housing and economic development.

**EXHIBIT NY-1**

**Description of Institution's Operations in New York State**

<b>NEW YORK STATE BRANCHES/DEPOSITS/QUALIFIED INVESTMENTS ("QI")</b>						
<b>MSA</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS \$(000,000s)</b>	<b>%</b>	<b>QI \$(000s)</b>	<b>%</b>
<b>5600</b>	125	48.2	\$15,066	78.4	\$62,592	90.3
<b>5380</b>	95	36.7	\$3,045	15.8	\$4,727	6.8
<b>5660</b>	17	6.6	\$558	2.9	-0-	0.0
<b>2281</b>	15	5.8	\$392	2.0	-0-	0.0
<b>Non-MSA</b>	7	2.7	\$162	.9	-0-	0.0
<b>Multiple MSAs</b>	N/A	N/A	N/A	N/A	\$2,000	2.9
<b>Total State</b>	259	100.0	\$19,223	100.0	\$69,319	100.0

**EXHIBIT NY-2**

<b>NEW YORK STATE LOANS</b>						
<b>MSA</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>	<b>COMMUNITY DEVELOPMENT LOANS \$(000s)</b>	<b>%</b>
<b>5600</b>	2,431	61.7	1,835	57.6	\$54,954	55.6
<b>5380</b>	1,081	27.4	745	23.4	\$22,290	22.5
<b>5660</b>	198	5.0	225	7.1	\$5,950	6.0
<b>2281</b>	178	4.5	257	8.1	\$1,315	1.3
<b>Non-MSA</b>	52	1.3	126	4.0	\$1,000	1.0
<b>Multiple MSAs</b>	N/A	N/A	N/A	N/A	\$13,417	13.6
<b>Total State</b>	3,940	100.0	3,188	100.0	\$98,926	100.0

**EXHIBIT NY-3**

<b>NEW YORK STATE DEMOGRAPHICS</b>				
	<b>Median Family Income</b>	<b>Median Housing Value</b>	<b>Affordability Ratio</b>	<b>Gross Median Rent</b>
MSA 5600	\$36,865	\$212,178	17%	\$501
MSA 5380	\$56,726	\$186,209	30%	\$778
MSA 5660	\$44,039	\$141,227	31%	\$595
MSA 2281	\$49,305	\$149,176	33%	\$600
Non MSA- Ulster	\$40,484	\$115,181	35%	\$532
Non MSA- Sullivan	\$33,977	\$95,860	35%	\$477

**EXHIBIT NY-4**

**Institution's Operations in MSA 5600  
 (New York, NY)**

<b>MSA 5600 (NEW YORK, NY)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS \$('000,000s )</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINES S LOANS</b>	<b>%</b>
<b>NEW YORK</b>	19	15.2	\$10,369	68.8	361	15.7	393	21.4
<b>WESTCHESTER</b>	64	51.2	\$3,239	21.5	1,033	44.9	726	39.6
<b>QUEENS</b>	17	13.6	\$491	3.3	272	11.8	256	14.0
<b>KINGS</b>	0	0.0	\$0	0.0	236	10.3	44	2.4
<b>BRONX</b>	0	0.0	\$0	0.0	195	8.5	45	2.4
<b>PUTMAN</b>	1	0.8	\$51	0.3	54	2.4	21	1.1
<b>ROCKLAND</b>	24	19.2	\$916	6.1	148	6.4	350	19.1
<b>MSA TOTAL</b>	125	100.0	\$15,066	100.0	2,299	100.0	1,835	100.0

**Performance Context**

<b>MSA 5600 (NEW YORK, NY)</b>						
	<b>POPULATION IN INCOME TRACTS</b>		<b>CENSUS TRACTS BY INCOME</b>		<b>FAMILIES BY INCOME LEVELS</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	1,242,439	15.2	322	13.8	505,263	25.6
<b>MODERATE</b>	1,699,326	20.8	436	18.6	304,379	15.4
<b>MIDDLE</b>	2,470,272	30.2	793	33.9	360,641	18.2

<b>UPPER</b>	2,755,832	33.8	789	33.7	805,070	40.8
<b>MSA</b>	8,167,869	100.0	2340	100.0	1,975,353	100.0

**EXHIBIT NY-5**

**Institution's Operations in MSA 5380  
 (Nassau-Suffolk, NY)**

<b>MSA 5380            (NASSAU-SUFFOLK, NY)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS            \$('000,000s)</b>	<b>%</b>	<b>HMDA            LOANS</b>	<b>%</b>	<b>SMALL            BUSINESS            LOANS</b>	<b>%</b>
<b>SUFFOLK</b>	46	48.4	\$1,359	44.6	707	65.6	449	60.3
<b>NASSAU</b>	49	51.6	\$1,686	55.4	371	34.4	296	39.7
<b>TOTAL            MSA</b>	95	100.0	\$3,045	100.0	1,078	100.0	745	100.0

**Performance Context**

<b>MSA 5380            (NASSAU-SUFFOLK, NY)</b>						
	<b>POPULATION IN            INCOME            TRACTS</b>		<b>CENSUS            TRACTS BY            INCOME</b>		<b>FAMILIES BY            INCOME LEVEL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	17,845	0.7	5	0.9	112,975	16.3
<b>MODERATE</b>	380,253	14.6	79	13.8	132,994	19.3
<b>MIDDLE</b>	1,760,243	67.4	385	67.0	181,551	26.3

<b>UPPER</b>	450,871	17.2	105	18.3	262,881	38.1
<b>MSA</b>	2,609,212	100.0	574	100.0	690,401	100.0



**EXHIBIT NY-6**

**Institution's Operation in MSA 5660  
 (Newburgh, NY-PA)**

<b>MSA 5660 (NEWBURGH, NY-PA)</b>								
<b>COUNTY</b>	<b>BRANCHE S</b>	<b>%</b>	<b>DEPOSITS \$( '000,000s )</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINES S LOANS</b>	<b>%</b>
<b>ORANGE</b>	17	100.0	\$558	100.0	198	100.0	225	100.0
<b>TOTAL MSA</b>	17	100.0	\$558	100.0	198	100.0	225	100.0

**Performance Context**

<b>MSA 5660 (NEWBURGH, NY-PA)</b>						
	<b>POPULATION IN INCOME TRACTS</b>		<b>CENSUS TRACTS BY INCOME</b>		<b>FAMILIES BY INCOME LEVEL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	13,853	4.5	2	3.0	13,763	17.7
<b>MODERA TE</b>	44,234	14.4	12	18.2	13,538	17.4
<b>MIDDLE</b>	158,190	51.4	32	48.5	19,576	25.1
<b>UPPER</b>	91,370	29.7	20	30.3	31,018	39.8
<b>MSA</b>	307,647	100.0	66	100.0	77,895	100.0

**EXHIBIT NY-7**

**Institution's Operations in MSA 2281  
 (Dutchess, NY)**

<b>MSA 2281 (DUTCHESS, NY)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS \$('000,000s )</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINES S LOANS</b>	<b>%</b>
<b>DUTCHESS</b>	15	100.0	\$392	100.0	177	100.0	257	100.0
<b>TOTAL MSA</b>	15	100.0	\$392	100.0	177	100.0	257	100.0

**Performance Context**

<b>MSA 2281 (DUTCHESS, NY)</b>						
	<b>POPULATION IN INCOME TRACTS</b>		<b>CENSUS TRACTS BY INCOME</b>		<b>FAMILIES BY INCOME LEVELS</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	14,208	5.5	6	8.8	10,924	16.7
<b>MODER ATE</b>	31,002	11.9	10	14.7	12,515	19.2
<b>MIDDL E</b>	176,404	68.0	32	47.1	18,271	28.0
<b>UPPER</b>	37,848	14.6	20	29.4	23,528	36.1
<b>MSA</b>	259,462	100.0	68	100.0	65,238	100.0

**EXHIBIT NY-8**

**Institution's Operations in Non-MSA Counties**

<b>NON-MSA (SULLIVAN AND ULSTER COUNTIES, NY)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS \$('000,000s )</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>
<b>ULSTER</b>	4	57.1	\$92	56.8	30	57.7	84	66.7
<b>SULLIVAN</b>	3	42.9	\$70	43.2	22	42.3	42	33.3
<b>TOTAL NON-MSA</b>	7	100.0	\$162	100.0	52	100.0	126	100.0

**Performance Context**

<b>NON-MSA (SULLIVAN AND ULSTER COUNTIES, NY)</b>						
	<b>POPULATION IN INCOME TRACTS</b>		<b>CENSUS TRACTS BY INCOME</b>		<b>FAMILIES BY INCOME LEVELS</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	0	0.0	0	0	7,068	13.0
<b>MODERATE</b>	3,681	1.7	1	1.6	7,840	14.4
<b>MIDDLE</b>	98,572	46.0	31	49.2	11,560	21.3
<b>UPPER</b>	111,847	52.3	31	49.2	27,828	51.3
<b>MSA</b>	214,100	100.0	63	100.0	54,296	100.0

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**EXHIBIT NY-20**

**Number of Branches by County and  
 MSA in New York State**

<b>State/County/MSA</b>	<b>Number of Branches</b>	<b>Number of Branches in LMI Tracts/BNAs</b>
<b>New York</b>		
New York	19	4
Queens	17	1
Westchester	64	10
Rockland	24	0
Putnam	1	0
<b>MSA 5600 Total</b>	<b>125</b>	<b>15</b>
Suffolk	46	9
Nassau	49	5
<b>MSA 5380 Total</b>	<b>95</b>	<b>14</b>
Orange	17	4
<b>MSA 5660 Total</b>	<b>17</b>	<b>4</b>
Dutchess	15	3
<b>MSA 2281 Total</b>	<b>15</b>	<b>4</b>
Ulster	4	0
Sullivan	3	0
<b>Non-MSA Total</b>	<b>7</b>	<b>0</b>
<b>Total NY</b>	<b>259</b>	<b>37</b>

**TABLE OF CONTENTS**  
**STATE OF NEW JERSEY**

Institution's CRA Rating for State of New Jersey .....	BB79
Description of Institution's Operations in State of New Jersey .....	BB79
Description of Assessment Areas.....	BB79
Performance Context .....	BB80
Conclusions With Respect to Performance Tests in State of New Jersey.....	BB82
Lending Test .....	BB82
Investment Test.....	BB85
Service Test .....	BB86
Metropolitan Statistical Area Analyses .....	BB88
MSA 0875 (Bergen-Passaic, NJ) .....	BB88
MSA 5640 (Newark, NJ).....	BB93
MSA 3640 (Jersey City, NJ), MSA 5190 (Monmouth-Ocean, NJ), MSA 5015 (Middlesex-Somerset, NJ), MSA 0560 (Atlantic-Cape May, NJ) MSA 8480 (Trenton, NJ), MSA 6160 (Philadelphia, NJ).....	BB99
Exhibits.....	BB104
NJ-1 Description of Institution's Operations in State of New Jersey .....	BB104
NJ-2 New Jersey Loans .....	BB105
NJ-3 New Jersey Demographics .....	BB106
NJ-4 Institution's Operations and Performance Context in MSA 0875 (Bergen-Passaic, NJ) .....	BB107
NJ-5 Institution's Operations and Performance Context in MSA 5640 (Newark, NJ) .....	BB108
NJ-6 Institution's Operations and Performance Context in MSA 3640 (Jersey City, NJ).....	BB109
NJ-7 Institution's Operations and Performance Context in MSA 5190 (Monmouth-Ocean, NJ).....	BB110
NJ-8 Institution's Operations and Performance Context in MSA 5015 (Middlesex-Somerset-Hunterdon, NJ) .....	BB111
NJ-9 Institution's Operations and Performance Context in MSA 8480 (Trenton, NJ) .....	BB112
NJ-10 Institution's Operations and Performance Context in MSA 0560 (Atlantic-Cape May, NJ).....	BB113
NJ-11 Institution's Performance Context in MSA 6160 (Philadelphia, PA-NJ).....	BB114
NJ-12 Owner-occupied Unit Analysis for Home Purchase and Refinance Loans Across Census Tract Income Level .....	BB115



NJ-13 Demand-adjusted Analysis for Business Loans Across Census Tract Income Level .....	BB116
NJ-14 Distribution of Home Purchase and Refinance Loans Across Borrower Income Level.....	BB117
NJ-15 Distribution of Small Business Loans by Loan Size.....	BB118
NJ-16 Distribution of Small Business Loans by Gross Annual Revenues.....	BB119
NJ-17 Community Development Loans in New Jersey .....	BB120
NJ-18 Community Development Loans in MSA 5640 (Newark, NJ), MSA 0875 (Bergen-Passaic, NJ) and Multiple MSAs .....	BB121
NJ-19 Qualified Investments in New Jersey .....	BB122
NJ-20 Number of Branches by County and MSA in State of New Jersey.....	BB123

## STATE OF NEW JERSEY

### ***INSTITUTION'S CRA RATING FOR NEW JERSEY:***

This institution is rated **SATISFACTORY**.

BNY's record of helping to meet the credit needs of its assessment areas in New Jersey through its lending activities is good. The volume and responsiveness of qualified investments is strong, and the delivery system of retail banking services is effective.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW JERSEY:**

BNY operates a 109-branch network in New Jersey. This represents 29 percent of the bank's total branches and only 15 percent of its deposits. The bank originated or purchased 1,210 HMDA-related loans and 885 small business loans during the 18-month period covered by this examination. This represents 23 percent and 22 percent respectively of the total HMDA and small business loans originated or purchased by the bank during this period.

Sixty-seven percent of BNY's branches and 72 percent of its deposits in New Jersey are in MSAs 0875 (Bergen-Passaic) and 5640 (Newark) dominated by the urban centers of Newark, Hoboken, and Paterson. The bank's operations in New Jersey are detailed in Exhibits 1 and NJ-1 through NJ-3.

### **DESCRIPTION OF ASSESSMENT AREAS**

The bank's New Jersey assessment areas include the following MSAs and portions of MSAs:

- MSA 0875 (Bergen-Passaic) consisting of the entire counties of Passaic and Bergen. As indicated in Exhibit NJ-4, the population of the area is approximately 1,278,440. Thirty-five percent of the area's 303 census tracts are designated as LMI. Thirty-eight percent of the area's 343,174 families are designated as LMI.
- A portion of MSA 5640 (Newark) consisting of the entire counties of Essex, Union, Morris, Sussex and a portion of Warren County. As indicated in Exhibit NJ-5, the population of the area is approximately 1,846,888. Thirty-nine percent of the area's 464 census tracts are designated as LMI. Thirty-eight percent of the area's 481,061 families are designated as LMI.
- MSA 3640 (Jersey City) consisting of the entire county of Hudson. As indicated in Exhibit NJ-6, the population of the area is approximately 553,099. Twenty-three percent of the area's 161 census tracts are designated as LMI. Thirty-nine percent of the area's 137,640 families are designated as LMI.
- MSA 5190 (Monmouth-Ocean) consisting of the entire counties of Monmouth and Ocean. As indicated in Exhibit NJ-7, the population of the area is approximately 986,327. Twenty-six percent of the area's 234 census tracts are designated as LMI. Thirty-seven percent of the area's 268,329 families are designated as LMI.

- A portion of MSA 5015 (Middlesex-Somerset-Hunterdon) consisting of the entire counties of Middlesex and Somerset. Hunterdon County is not included. As indicated in Exhibit NJ-8, the population of the area is approximately 912,059. Twenty percent of the area's 236 census tracts are designated as LMI. Thirty-six percent of the area's 243,308 families are designated as LMI.
- MSA 8480 (Trenton) consisting of the entire county of Mercer. As indicated in Exhibit NJ-9, the population of the area is approximately 325,824. Thirty-three percent of the area's 63 census tracts are designated as LMI. Thirty-seven percent of the area's 83,109 families are designated as LMI.
- A portion of MSA 0560 (Atlantic-Cape May) consisting of the entire county of Atlantic and a portion of Cape May County. As indicated in Exhibit NJ-10, the population of the area is approximately 239,839. Twenty-three percent of the area's 73 census tracts are designated as LMI. Thirty-five percent of the area's 61,391 families are designated as LMI.
- A portion of MSA 6160 (Philadelphia, PA-NJ) consisting of a portion of Burlington County. Camden, Gloucester, and Salem counties, New Jersey, and Bucks, Chester, Delaware, Montgomery, and Philadelphia counties, Pennsylvania are not included. As indicated in Exhibit NJ-11, the population of the area is approximately 17,176. None of the area's 4 census tracts are designated as LMI. Twenty-three percent of the area's 3,886 families are designated as LMI.

## **PERFORMANCE CONTEXT**

Demographic and economic information was obtained from public sources such as the U.S. Department of Commerce's Bureau of the Census (1990), the U.S. Department of Labor, and HUD. BNY provided additional data.

New Jersey's population density makes it the most urban state in the U.S. BNY's assessment areas in New Jersey include the state's most populous sections, accounting for almost 79 percent of the state population. The bank's predominantly middle- and upper-income territory covers eight MSAs, 13 counties in their entirety and three partial counties. The assessment areas include the predominantly urban county of Hudson, the urban/suburban counties of Essex and Union, the mostly suburban counties of Bergen, Passaic, Monmouth, Middlesex, and Ocean, and the predominantly rural counties of Sussex, Warren, Mercer, Atlantic, Cape May, and Burlington. The least affluent areas are found in Essex, Hudson, Union, and Atlantic Counties.

BNY's operations in New Jersey are dominated by operations in MSAs 0875 (Bergen-Passaic) and 5640 (Newark), where the prominent cities are Newark, Hoboken, and Paterson. As indicated in Exhibit NJ-3 the affordability ratio in these two MSAs is below 30 percent. At this level, most LMI families are priced out of homeownership. The fastest growing source of employment in these areas are services and the retail trades. Most businesses involved in these industries are small businesses.

For the rest of the delineated communities, MSAs 3640 (Jersey City), 5190 (Monmouth-Ocean), 5015 (Middlesex-Somerset-Hunterdon), 8480 (Trenton), 0560 (Atlantic-Cape May) and 6160 (Philadelphia, PA-NJ), demographic and economic factors such as employment, housing, income and population vary from county to county. Community contacts and a review of demographic data reveal that within these assessment areas there is a relatively low rate of homeownership within LMI census tracts and LMI

families and individuals. In many instances, LMI renters are capable of carrying mortgage liabilities with amounts expended for rent, but lack down payments or can not meet conventional underwriting standards. It would appear that institutions willing to provide residential financing with flexible terms could contribute greatly to increasing homeownership among these two groups. The areas relatively high rate of vacant buildings suggests opportunities for banks to provide financing for rehabilitation and community stabilization projects.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF NEW JERSEY:**

***The Lending Test is rated: “High Satisfactory”***

***The Investment Test is rated: “High Satisfactory”***

***The Service Test is rated: “High Satisfactory”***

### **LENDING TEST**

The bank's record of meeting the credit needs of its assessment areas in New Jersey through its lending activities is good. The geographic distribution of loans across census tracts of different incomes is satisfactory because of the number of multifamily loans in LMI areas in Newark and Passaic Counties. The distribution of loans to individuals of different incomes and to businesses of different sizes is also generally satisfactory. Community development loans are strong and all flexible loan products, except for those sponsored by state agencies in New York, are available at all branches in the state.

#### **Lending Activity**

BNY demonstrated an excellent responsiveness to the credit needs within its assessment areas in New Jersey. Ninety-eight percent (1,210 out of 1,233) of HMDA loans and 99 percent (885 out of 895) of small business loans originated in New Jersey were originated within the bank's assessment areas.

#### **Geographic Distribution of Lending**

BNY's record of lending across geographies of different income levels is adequate in New Jersey. The overall rating for the state is heavily influenced by the ratings for MSA 0875 (Bergen-Passaic) and 5640 (Newark) because a large portion of the bank's branches, deposits, and loans are concentrated in these MSAs.

In these MSAs, BNY's record of lending across census tracts of different income levels is good primarily because of the bank's records of originating multifamily loans in moderate-income census tracts. One multifamily loan in moderate-income census tracts in Bergen County in MSA 0875 and one each in Essex and Union Counties in MSA 5640 provided 431 rental units. Most of the LMI families in these counties are renters because the average cost of a home is well beyond their means.

On a demand-adjusted basis, the ratio of single-family home purchase and refinance and small business loans originated in non-LMI geographies was 1.3 times greater than the ratios in LMI geographies. The demand-adjusted ratios for home improvement loans were more skewed toward non-LMI tracts, but the volume of this loan type is so very low that demand-adjusted comparisons are meaningless. BNY made only ten home improvement loans in LMI census tracts in New Jersey during the 18-month examination period. For more details concerning the geographic distribution of loans in New Jersey see Exhibits NJ-12 and NJ-13.

#### **Borrower Characteristics**

BNY's record of lending to individuals of different incomes is good. The overall rating for this performance characteristic is improved by a strong record of HMDA-related lending to moderate-income borrowers and

a strong record of lending to businesses of different sizes.

The bank's HMDA-related lending to moderate-income borrowers in the state is excellent. Twenty-one percent of home purchase and refinance loans originated in New Jersey were to moderate-income borrowers. These ratios are extremely favorable when compared to the demographics of bank's assessment areas in the state where 18 percent of the families are designated as moderate-income. The ratio of loans to low-income borrowers compared to the ratio of low-income families in BNY's assessment areas in the state is not favorable. In New Jersey, where 19 percent of the assessment areas' families are designated as low-income, less than 5 percent of home purchase and refinance mortgage loans were made to low-income borrowers. However, the disparity in the ratio is reasonable given the very high cost of housing in relation to borrower income levels.

The level of lending to low-income borrowers is similar to that found at peer group banks. The high cost of housing in BNY's assessment areas makes it difficult for low-income borrowers to qualify for home mortgages. HMDA borrowers are either homeowners or home buyers. The high cost of single-family houses, condominiums, and co-operative apartments in New Jersey generally, and in MSA 5640 (Newark), and 0875 (Bergen-Passaic) specifically, bars most low-income families in these areas from homeownership.

At the MSA level, the bank's record of lending to LMI individuals in MSAs 5190 (Monmouth-Ocean) and 5015 (Middlesex-Somerset) was very good, partially offsetting the bank's record in the more populous MSAs 5640 (Newark) and 0875 (Bergen-Passaic) where the records were weak and adequate, respectively. For more information concerning the bank's lending to borrowers of different incomes see Exhibits NJ-14.

The bank's record of lending to businesses of different sizes is good when the size of the loan serves as a proxy for the size of the business. Fifty-nine percent of all small business loans made in New Jersey during this examination period were in amounts of \$100 thousand or less. The average size of loans in this category was \$40 thousand.

Twenty-six percent of small business loans made during this examination period were to businesses with reportable gross annual revenues of \$1 million or less. Another 23 percent of small business loans were made to businesses where the gross annual revenues of the borrowers were not a factor in the credit decision. These loans include small credit scored loans, loans to start-up businesses, and loans where collateral was the primary factor in the credit decision. If the gross annual revenues of these borrowers had been reported, it would have been at or below \$1 million in most cases.

Approximately 83 percent of business establishments in BNY's assessment areas in New Jersey have gross annual revenues of \$1 million or less. For additional information concerning the bank's lending to businesses of different sizes see Exhibits NJ-15 and NJ-16.

### **Community Development Lending**

BNY's community development lending in New Jersey is excellent. The bank extended \$20.5 million in community development loans, which includes \$14.4 million in new money. All community development loans were used to support affordable housing, such as construction loans for one- to four-family homes and multifamily buildings and term loans for multifamily buildings. In total, community development loans in the state supported the construction or renovation of more than 296 affordable housing units throughout the state.

The primary beneficiary was MSA 5640 (Newark, NJ) where \$14 million (\$7.8 million new money) in community development loans provided 285 housing units. Affordable rental units are critically needed in this MSA because of the low-affordability ratio. More details concerning community development lending in New Jersey are found in Exhibits NJ-17 and NJ-18.

### **Innovative and Flexible Lending Practices**

BNY and BNY Mortgage's special loan programs, with the exception of SONYMA and the Immigrant Loan Program, are available in all MSAs in New Jersey assessment areas. In addition, BNY Mortgage participates with the New Jersey Housing Finance Association ("NJHFA") in a program exclusive to New Jersey.

The NJHFA program is available to first-time home buyers interested in purchasing a one- to four-family primary residence within targeted urban areas designated by NJHFA. The purchase price may not exceed certain limits designated by the agency based on the location of the property. The program provides 30-year fixed financing at rates designated by NJHFA with maximum LTV of 95 percent and is available in all MSAs within the state.

## **INVESTMENT TEST**

BNY's rating on the lending test is "high satisfactory." The bank's record of meeting the community development needs of its assessment areas in New Jersey through qualified investments is strong. The volume of investments is adequate, and the responsiveness to the needs of the community is excellent.

### **Volume of Qualified Investments**

BNY has a significant level of qualified investments in the state of New Jersey. The bank invested \$5 million in the form of equity investment in two nonprofit entities that support affordable housing throughout New Jersey. In addition, BNY issued grants of \$74 thousand to organizations supporting various community development projects within specific MSAs. Exhibit NJ-19 contains additional details on qualified investments in New Jersey.

### **Use of Innovative and Complex Investments**

BNY's qualified investments in New Jersey are limited to donations and indirect equity investments in affordable housing tax credits. Indirect investments in affordable housing tax credits are not particularly innovative, but they are complex. Tax credits derived from such investments are used over a 10-year period, but the bank's obligation to verify that buildings built under the program continue to provide affordable housing last for 15 years. This requires a substantial commitment in time and expertise on the part of the bank. In addition, complicated accounting issues relating to this type of equity investment require a high level of sophistication at the bank.

### **Responsiveness to the Needs of the Community**

BNY's investments in affordable housing tax credit buildings demonstrate excellent responsiveness to the community development needs of its assessment areas in New Jersey. BNY's investments will support the construction or renovation of multifamily rental units targeted to LMI families, a critical need in New Jersey. An equity investment provides the limited partnership with capital that allows it to borrow additional funds to support its projects. In effect, an equity investment can be leveraged and provides benefit to the community in excess of the amount of the investment. BNY estimates that its investments in New Jersey will support the construction or rehabilitation of more than 250 affordable rental units.



## **SERVICE TEST**

BNY's rating on the service test is "high satisfactory." The bank's system of delivering retail services through its branches is effective in New Jersey, and its involvement in community development services is adequate.

### **Accessibility of Delivery Systems**

BNY's delivery system is satisfactory with 109 branches and 11 freestanding ATMs located mainly in Bergen, Morris, and Hudson Counties. The branches in these counties totaled 64, which represents 59 percent of the bank's offices in New Jersey. Fifteen of the branches in the state are in LMI census tracts. The assessment areas also receive support through direct sales activities conducted by the Mortgage Company and the bank's real estate lending division. Telemarketing through the bank's toll-free service lines and direct mail is also used to make the bank's products and services accessible to individuals residing in these counties.

### **Opening and Closing of Branches**

The bank's record of opening and closing branches is satisfactory. Three branches were closed and four were opened during the examination period. Two branches were closed in Morris County and one in Bergen County. All three closed branches were located in middle-income census tracts. The branches were closed in accordance with bank policy and timely notification was provided to affected customers. Based on the proximity of the surviving branches and the continued availability of bank services, it does not appear that branch closings adversely affected customers.

On June 4, 1997, Sun Bancorp, Inc. of Vineland, New Jersey, announced that it would purchase 11 branches from BNY in New Jersey. The purchase will take place after the current examination and will include all six branches in Atlantic County, all three branches in Mercer County and one each in Middlesex and Somerset Counties.

Two branches were opened in Bergen County, and one each was opened in Passaic and Morris Counties. The new branches in Bergen County are in upper-income communities and the other two are in middle-income communities.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Business hours are reasonable. Most branches offer extended hours during the week and on Saturdays. Sunday hours are available at the four new branches.

### **Community Development Services**

Participation in community development services activities is adequate. BNY Mortgage sponsored or participated in housing fairs and homeownership seminars in Essex, Morris, Hudson, Somerset, and Camden Counties. BNY and BNY Mortgage staff members serve as directors, advisors, and committee members of several groups that are involved with affordable housing and economic development.

## **METROPOLITAN STATISTICAL AREA ANALYSIS**

### **MSA 0875 (BERGEN-PASSAIC, NJ)**

BNY's overall performance in MSA 0875 is satisfactory. The geographic distribution of the bank's lending activity is good with considerable weight given to the bank's origination of multifamily housing loans. The record of HMDA lending to borrowers of different income levels and small business lending to businesses of different sizes is adequate. However, there was a dramatic decline in the number of home improvement and small business loans originated at this examination. BNY's delivery systems are reasonably accessible, but the bank provided a limited level of community development services to the assessment area. BNY supported community development lending initiatives and qualified investment activities within the MSA at this examination.

#### **DESCRIPTION OF INSTITUTION'S OPERATION**

As of August 18, 1997, BNY maintained 42 branches in this MSA, representing 38.5 percent of the bank's total number of branches in New Jersey assessment areas. These branches held \$1.6 billion in deposits, or 45.9 percent of the bank's deposit base in New Jersey. Thirty-eight of the branches in this MSA are in Bergen County, where all five of the branches in LMI census tracts in this MSA are also located. During the examination period, the bank originated or purchased 344 HMDA loans and 344 small business loans in this MSA.

#### **PERFORMANCE CONTEXT**

This MSA is one of the largest and wealthiest in New Jersey. Regarding employment, jobs in manufacturing have declined, but jobs have expanded in the services, retail, and wholesale trades as well as transportation and utilities. These trends fit the New York metropolitan area pattern of slow and moderate job growth. Eighty percent of the business establishments in the MSA report gross annual revenues of \$1 million or less. According to government groups and for profit organizations interviewed as community contacts, many of the banks in this MSA are active in special lending projects supported by municipalities, such as first-time home buyer programs.

Affluent and suburban Bergen County maintained 6.1 percent of the bank's total deposit base, the highest percentage of any county in New Jersey, and the fourth highest amount in the entire BNY branch system. Over 70 percent of the owner-occupied housing units in this MSA are located in Bergen County, and the majority of those (92 percent) are in middle- and upper-income census tracts. Passaic County is rural and suburban in the north and west, and urban in the southeastern sector. The cities of Paterson, Passaic, and Clifton are within the southeastern part of the county. The bank's four Passaic county branches are also located in the southeastern section.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

## **MSA 0875 (BERGEN-PASSAIC, NJ)**

### **LENDING TEST**

The bank's record of meeting the credit needs of this assessment area through its lending activities is reasonable. Geographic distribution is good; lending across income levels and to businesses of different sizes is adequate.

#### **Geographic Distribution of Lending**

The bank's performance with regard to geographic distribution of loans in this MSA is good. A poor volume of home improvement lending was offset by a good record on home purchase, refinance, and multifamily and small business loans.

#### **HMDA Activity**

The volume of home improvement loans was low in all geographies, but on a demand-adjusted basis, loans in LMI census tracts were almost double those in middle- and upper-income tracts. The volume of home purchase and refinance lending was up in almost all geographies. On a demand-adjusted basis, the home purchase and refinance loan ratios in LMI tracts were slightly higher than in the middle- and upper-income tracts. In addition, BNY produced loans in almost half of the census tracts.

Two loans for multifamily housing were made during the examination period in this MSA. A loan for a building with 23 housing units was made in a moderate-income census tract in Bergen County, and another loan for a 68-unit building was made in a middle-income census tract in Passaic County.

#### **Small Business Activity**

The volume of small business lending declined from 609 loans at the last examination to 344, but the distribution of loans across geographies of different income levels is good. Demand-adjusted ratios for small business loans are slightly higher in LMI tracts as compared to middle- and upper-income tracts.

### **Borrower Characteristics**

Overall, BNY's record of lending to borrowers of different incomes and businesses of different sizes is adequate.

#### **HMDA Activity**

Twenty percent of purchase mortgage and refinance loans were made to LMI borrowers; 38 percent of the families in this MSA are designated as LMI. The comparison appears weak but is mitigated by the affordability ratio of only 25 percent in this MSA. The bank's record on home improvement loans is

better on a percentage basis.

*Small Business Activity*

Fifty-six percent of all small business loans were made in amounts of \$100 thousand or less with an average loan size of \$40 thousand. Thirty-one percent of all small business loans were made to business with reportable gross annual revenues of \$1 million or less in an area where 80 percent of the business establishments in the MSA are in that category. However, another 19 percent of small business loans were to businesses where gross annual revenue was not a factor in the credit decision.

**Community Development Lending**

Community development lending is evaluated at the state level, and the presence or absence of this type of lending at the MSA level does not enhance or detract from conclusions regarding the lending test for the state and the bank as a whole. Community development lending in this MSA consists of a loan to provide financing to construct 11 low-income housing units in Paterson.

## **INVESTMENT TEST**

Like community development lending, qualified investment activity is evaluated at the state level, and the presence or absence of qualified investments at the MSA level does not enhance or detract from conclusions regarding the investment test for the state or the bank as a whole. Qualified investments in this MSA are limited to \$3,000 in grants to support community development projects throughout the MSA.

## **SERVICE TEST**

### **Accessibility of Delivery Systems**

Retail banking service in MSA 0875 (Bergen-Passaic) is adequate. There are 42 branches dispersed throughout the MSA with 5 in LMI census tracts. Six new freestanding ATMs were added during the examination period.

### **Opening and Closing of Branches**

The bank's record of opening and closing branches, particularly in LMI geographies, is good. Three new branches were opened and one branch was closed. The new branches were opened in West Paterson in Passaic County, and Hillsdale and Oakland in Bergen County. The Hillsdale supermarket and the Oakland supermarket branches are located in Shoprite markets, and the West Paterson supermarket branch is situated in the A&P on Route 46, West Paterson. The North Hackensack branch in Bergen County was consolidated into the Hackensack branch in June 1996. Based on the proximity of nearby branches, it does not appear that the branch closing adversely affected customers, particularly those in LMI communities.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Branch hours are reasonable. Most branches offer extended hours at least one day of the week and on Saturdays. Sunday hours are available at all new branches.

### **Community Development Services**

Community development service activities have been limited. A reverse mortgage seminar was conducted in Fair Lawn, Bergen County, in 1996, and officers provide technical assistance on financial matters to nonprofit organizations serving LMI groups in the MSA.

## **METROPOLITAN STATISTICAL AREA ANALYSIS**

### **MSA 5640 (NEWARK, NJ)**

BNY's overall performance in the MSA 5640 is satisfactory. The bank's record of meeting the credit needs of its assessment area through its lending activities is adequate with considerable weight given to the bank's origination of multifamily housing loans. The geographic distribution of the bank's lending activity is adequate, but the record of lending to borrowers of different income levels and to businesses of different sizes is weak. There was a dramatic decline in the number of home improvement and small business loans originated at this examination. BNY's delivery systems in the MSA are readily accessible and the bank provides a reasonable level of community development services to the MSA. BNY strongly supported community development lending activities in the MSA at this examination .

### **DESCRIPTION OF INSTITUTION'S OPERATION**

As of August 18, 1997, BNY maintained 31 branches in this MSA, representing 28.4 percent of total branches in New Jersey assessment areas. These branches housed \$930 million in domestic deposits, or 26.2 percent BNY's of domestic deposits in New Jersey. Sixteen of the branches in this MSA are in Morris County, eight are in Sussex, six in Essex, and one in Warren. The three branches in LMI census tracts in this MSA are in Essex, Morris, and Sussex Counties. During the examination period, the bank originated or purchased 290 HMDA loans and 234 small business loans in this MSA.

### **PERFORMANCE CONTEXT**

This MSA is made up of the urban counties of Essex (including the cities of Newark, Irvington, East Orange, and Orange), Union, and Morris (including the cities of Elizabeth, Plainfield, and Morristown), and the predominantly rural counties of Sussex and Warren. Only a portion of Warren County is within the bank's assessment area.

Forty-seven percent of the families in the MSA are renters. The affordability ratio in this MSA is 27 percent indicating that homeownership is out of reach of most LMI families. Renting, with median monthly rents of \$583, is a realistic alternative to homeownership for most LMI families. Unemployment in the Newark MSA was 6.3 percent in 1990, which was higher than the state figure of 5.7 percent. Unemployment was most severe in Essex County. The dominant industries are services, manufacturing, retailing, and government. Between 1990 and 1994, manufacturing jobs declined 13.4 percent and construction jobs fell 13.2 percent. Employment in the services industry stayed constant. The local economy experienced a 5.1 percent job loss during this period.

Eighty-four percent of the businesses in the MSA report gross annual revenues of \$1 million or less. An interview with an officer of a county economic development partnership pointed out a need in the area for small loans (\$3,000 to \$15 thousand) to small start-up businesses.

Essex County contains a mix of suburban areas and large cities. The state's largest city, Newark, is located in the southeastern part of the county. The cities of Newark, Irvington, East Orange, and Orange account for most of the LMI tracts in the county. Only 45 percent of the county's residential units are



owner-occupied; only Hudson County has a lower percentage. Interviews with nonprofit and governmental agencies in the county confirmed that one- to four-family home improvement loans are needed especially among the 12.5 percent of the population over 65 years of age.

Morris County contains a mix of suburban and rural areas with only one urban area, Morristown. Seventy-four percent of the housing is owner-occupied. In predominantly rural Sussex County, 82 percent of the residential units are owner-occupied. Union County contains a mixture of urban and suburban areas. The cities of Elizabeth, Plainfield, Linden, Roselle, and Rahway are located here. Warren County is predominantly rural and only a small portion of the county is within the bank's assessment area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TEST

### IN MSA 5640 (NEWARK, NJ)

#### LENDING TEST

BNY's record of meeting the credit needs of this assessment area through its lending activity is adequate in this MSA because of its lending for multifamily housing. Geographic distribution of loans is adequate, but the distribution of loans to individuals of different income levels and businesses of different sizes is weak.

#### Geographic Distribution of Lending

##### HMDA Activity

The volume of purchase mortgage and refinance loans has increased since the last examination, but on a demand-adjusted basis, home purchase, and refinance loans were over two and one-half times greater in the non-LMI census tracts than in the LMI tracts. The volume of home improvement lending has decreased dramatically since the last examination, and home improvement lending in LMI neighborhoods was weak.

BNY's record of lending across geographies of different income levels benefited greatly from its multifamily loans in this MSA. The bank made five multifamily loans in this MSA during the examination period. These five loans provided 776 rental housing units; 408 or 52.6 percent of these units were located in moderate-income census tracts in Essex and Union Counties. Three of the multifamily loans also received community development recognition at this examination.

##### Small Business Activity

The demand-adjusted ratios for small business lending are even worse than the HMDA ratios. Loans in non-LMI census tracts were 2.7 times greater than in LMI tracts. In Essex and Union Counties, the ratio of loans in non-LMI tracts were almost three times greater. Small business lending dropped from 355 at the last examination to 234.

#### Borrower Characteristics

##### HMDA Activity

Only 22.6 percent of the home purchase and refinance loans and 26.3 percent of home improvement loans were made to LMI borrowers in an MSA where 38 percent of the families are LMI. This weak performance is mitigated by the low affordability ratio in the MSA. Most LMI families in the MSA are not homeowners or home buyers.

##### Small Business Activity

Sixty percent of the small business loans made were in amounts of \$100 thousand or less with an average

loan amount of \$36 thousand. However, only 16 percent of those were made to businesses with reportable gross annual revenues of \$1 million or less. Even when the 30 percent of small business loans (in which gross annual revenue was not a factor) are added to this figure, it does not compare favorably with the percentage of small business establishments with gross annual revenues of \$1 million or less.

### **Community Development Lending**

Community development lending is evaluated at the state level, and the presence or absence of this type of lending at the MSA level does not enhance or detract from conclusions regarding the lending test for the state and the bank as a whole. Community development lending in this MSA consist of loans totaling \$14 million and all loans supported affordable housing. Loans originated during the examination period and loans originated before then provided 285 housing units.

## **INVESTMENT TEST**

As is the case with community development lending, qualified investment activity is evaluated at the state level, and the presence or absence of qualified investments at the MSA level does not enhance or detract from conclusion regarding the investment test for the state or the bank as a whole.

## **SERVICE TEST**

### **Accessibility of Delivery Systems**

BNY's delivery system for providing retail banking services in this MSA is generally satisfactory with 31 branches reasonably dispersed throughout the assessment area. Three of these branches are located in LMI communities. Since the last examination, two freestanding ATMs were added to the network.

### **Opening and Closing of Branches**

The bank's record of opening and closing branches, particularly in LMI geographies, is adequate. One branch office was opened and two branch offices were closed. In April 1997, the Pompton Plains supermarket branch in Morris County was opened at the A& P on Route 23, Pompton Plains.

Two branch offices located in middle-income geographies in Morris County were closed. The Troy Hill branch was consolidated into the Boonton branch on Monroe Street, Boonton, and the Pompton Lake branch was consolidated into the Riverdale branch on Hamburg Turnpike, Riverdale. Based on the proximity of nearby branches and the continued availability of all branch services, it does not appear that these branch closings adversely affected customers, particularly those in LMI communities.

### **Reasonableness of Business Hours and Services in Meeting Assessment Area Needs**

Branch hours are reasonable with extended hours available during the week and on Saturdays. The new Pompton Plains branch offers extended hours on Sundays. All bank services are available during the extended hours.

### **Community Development Services**

The bank generally supports community development service activities through its employee volunteerism program, housing fairs, and homeownership seminars. Bank staff serve as directors for community groups supporting affordable housing and economic development. In addition, the bank participated in or sponsored three housing fairs and homeownership seminars in Essex and Morris Counties during the examination period.

## **METROPOLITAN STATISTICAL AREA ANALYSIS**

### **MSA 3640 (JERSEY CITY, NJ), MSA 5190 (MONMOUTH-OCEAN, NJ), MSA 5015 (MIDDLESEX-SOMERSET-HUNTERDON, NJ), MSA 0560 (ATLANTIC-CAPE MAY, NJ), MSA 8480 (TRENTON, NJ), MSA 6160 (PHILADELPHIA, PA-NJ)**

BNY's overall performance in its remaining assessment areas is satisfactory. The geographic distribution of the bank's lending activity is adequate. The record of lending to borrowers of different income levels and businesses of different sizes is generally good. The bank's delivery systems in the assessment areas are readily accessible and services do not vary in a way that inconveniences any portion of the population in the bank's assessment area. BNY provides an adequate level of community development services to the MSA.

#### **DESCRIPTION OF INSTITUTION'S OPERATION**

As of August 18, 1997, BNY maintained 36 branches in these 6 MSAs, representing 33.1 percent of total branches in New Jersey assessment areas. These branches held \$991 million in deposits, which is 27.9 percent of BNY's deposits in New Jersey. Seven of the branches are in LMI census tracts. During the examination period, the bank originated or purchased 576 HMDA loans and 307 small business and small farm loans in these MSAs.

#### **PERFORMANCE CONTEXT**

MSA 3640 (Jersey City), includes Hudson County, the most urban and densely populated county in the state. Thirty percent of all county residents are foreign born while the state figure for foreign born residents is 13 percent. Almost half of the population speaks a language other than English. The median housing value is the fourth highest in the assessment area, which reflects the population density, the scarcity of land for development, and the county's proximity to New York City.

Monmouth County, in MSA 5190 (Monmouth-Ocean), is a predominantly suburban area. Over 70 percent of the housing in this county is owner-occupied, and 90 percent of that housing is found in non-LMI tracts. Ocean County, also in MSA 5190, is a mix of suburban and rural areas. Eighty-three percent of housing in the county is owner-occupied. BNY's assessment area includes only Middlesex and Somerset Counties in MSA 5015 (Middlesex-Somerset-Hunterdon). This is a predominantly suburban MSA with ever-decreasing amounts of rural areas.

MSA 0560 (Atlantic-Cape May) includes Atlantic and Cape May Counties. Although the housing market is generally one of the most affordable in New Jersey, affordable housing remains a need for LMI individuals. The MSA's median family income level is significantly lower than the state level. In September 1997, the unemployment rate in Atlantic County was 6.8 percent. Unemployment in this county has been higher than levels in other counties and the state overall. MSA 8480 (Trenton) includes only Mercer County and Trenton is the largest city in the county with a total population of 84,441, or 27 percent of the county's population. In 1990, approximately 18 percent of Trenton's residents fell below the federal poverty line compared with 7 percent in Mercer County and only 3 percent in the suburban part of the county. Because of Trenton's high unemployment and economic development needs, the N.J. Department of Commerce designated the city an Urban Enterprise Zone.

Burlington County, Gloucester County, and Camden County constitute MSA 6160 (Philadelphia, PA-NJ).

Camden County has 45 percent of the MSA population while Burlington and Gloucester Counties account for 35.6 and 19 percent of the MSA population, respectively. In the city of Camden, located in Camden County, the population has declined dramatically in recent years. The city has been named a Federal Empowerment Zone as part of the federal program to create long-term economic development in areas of pervasive poverty, unemployment, and general distress.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TEST**

**IN MSA 3640 (JERSEY CITY, NJ), MSA 5190 (MONMOUTH-OCEAN, NJ),  
MSA 5015 (MIDDLESEX-SOMERSET-HUNTERDON, NJ),  
MSA 0560 (ATLANTIC-CAPE MAY, NJ), MSA 8480 (TRENTON, NJ),  
MSA 6160 (PHILADELPHIA, PA-NJ)**

### **LENDING TEST**

Lending in the six MSAs described above is adequate. The distribution of loans across census tracts of different income levels in the six MSAs above is adequate. On a demand-adjusted basis, HMDA loans originated in non-LMI census tracts were 1.3 times greater than in LMI tracts. Small business loans compared to business establishments in the six MSAs was 1.5 times greater in non-LMI census tracts.

The rate of lending to borrowers of different incomes is generally good in all MSAs considering the performance context. Loans to businesses in amounts of \$100 thousand or less were good ranging from 53.5 percent in Hudson County to 65.8 percent in MSA 0560 (Atlantic-Cape May, NJ). However, loans to borrowers with gross annual revenues of \$1 million or less are weak. Approximately 16 percent of small business loans in the six MSAs were to businesses with gross annual revenues of \$1 million or less. Even when recognizing the 13 percent of loans where gross annual revenues were not collected, this ratio does not compare favorably with the approximately 80 percent of business establishments in the MSAs with gross annual revenues of \$1 million or less.

Community development lending is evaluated at the state level, and the presence or absence of this type of lending at the MSA level does not enhance or detract from conclusions regarding the lending test for the state and the bank as a whole. There was no community development lending in the six MSAs discussed here during the examination period. All flexible loan products offered in New Jersey are available at the branches in these six MSAs.



## **INVESTMENT TEST**

Like community development lending, qualified investment activity is evaluated at the state level, and the presence or absence of qualified investments at the MSA level does not enhance or detract from conclusions regarding the investment test for the state or the bank as a whole. No qualified investments directly benefited these six MSAs.

## **SERVICE TEST**

BNY's retail delivery system is good in these MSAs. The branch network consists of 36 branches, 7 of which are in LMI census tracts. In Hudson County a freestanding ATM was opened at Kennedy Center (located in a moderate-income census tract in Union City), and a new freestanding ATM was opened at the Riverview Medical Center (which is in a middle-income census tracts in Red Bank). No branches were opened or closed in this MSA during the examination period, and branch hours are tailored to the needs and convenience of the customers.

The bank's participation in community development service is adequate. Bank staff serve as directors of the National Association of Affordable Housing Lenders and the New Jersey Community Loan Fund. The President of BNY Mortgage Company serves as a member of the advisory panel of the Fannie Mae, formerly Federal National Mortgage Association ("FNMA"). In addition a bank officer serves as the chairman of the Finance Subcommittee of the New Jersey Affordable Housing Network.

A homeownership seminar conducted in Somerset County in partnership with the Somerset County Coalition attracted 650 attendees. An additional homeownership seminar took place in the last quarter of 1996 in Hudson County.

**EXHIBIT NJ-1**

**Description of Institution's Operations in New Jersey**

<b>NEW JERSEY</b>						
<b>MSA</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS ('000,000s)</b>	<b>%</b>	<b>QUALIFIED INVESTMENTS ('000s)</b>	<b>%</b>
<b>0875</b>	42	38.5	\$1,627	45.9	\$0	0.0
<b>5640</b>	31	28.4	\$930	26.2	\$0	0.0
<b>3640</b>	10	9.2	\$302	8.5	\$0	0.0
<b>5190</b>	9	8.3	\$301	8.5	\$0	0.0
<b>5015</b>	8	7.3	\$218	6.1	\$0	0.0
<b>0560</b>	6	5.5	\$137	3.9	\$0	0.0
<b>8480</b>	3	2.8	\$33	.9	\$0	0.0
<b>6160</b>	0	0.0	\$0	0.0	\$0	0.0
<b>STATE- WIDE</b>	NA	NA	NA	NA	\$5,074	100.0
<b>TOTAL</b>	109	100	\$3,548	100	\$5,074	100

**EXHIBIT NJ-2**

<b>NEW JERSEY LOANS</b>						
<b>MSA/ COUNTY</b>	<b># OF HMDA LOANS</b>	<b>%</b>	<b># OF SMALL BUSINESS LOANS</b>	<b>%</b>	<b>COMMUNITY DEVELOPMENT LOANS ('000s)</b>	<b>%</b>
<b>0875</b>	344	28.4	344	38.9	\$675	3.3
<b>5640</b>	290	24.0	234	26.4	\$13,944	68.0
<b>3640</b>	82	6.8	86	9.7	\$0	0.0
<b>5190</b>	326	26.9	87	9.8	\$0	0.0
<b>5015</b>	126	10.4	76	8.6	\$0	0.0
<b>0560</b>	23	1.9	38	4.3	\$0	0.0
<b>8480</b>	19	1.6	20	2.3	\$0	0.0
<b>6160</b>	0	0	0	0.0	\$0	0.0
<b>STATE- WIDE</b>	NA	NA	NA	NA	\$5,885	28.7
<b>TOTAL</b>	1,210	100	885	100	\$20,504	100

**EXHIBIT NJ-3**

<b>NEW JERSEY DEMOGRAPHICS</b>				
	<b>Median Family Income</b>	<b>Median Housing Value</b>	<b>Affordability Ratio</b>	<b>Gross Median Rent</b>
MSA 0875	\$52,659	\$212,905	25%	\$646
MSA 5640	\$50,321	\$189,772	27%	\$583
MSA 5190	\$46,616	\$149,690	31%	\$648
MSA 5015	\$54,502	\$170,209	32%	\$678
MSA 3640	\$35,250	\$157,369	22%	\$525
MSA 8480	\$48,490	\$136,689	35%	\$570
MSA 0560	\$40,500	\$107,803	37%	\$580
MSA 6160	\$50,663	\$131,469	38%	\$593

**EXHIBIT NJ-4**

**Description of Institution's Operations in MSA 0875  
 (Bergen-Passaic, NJ)**

<b>MSA 0875 (BERGEN-PASSAIC, NJ)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS ('000,000)</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>
<b>PASSAIC</b>	4	9.5	\$198	12.2	84	24.4	50	14.5
<b>BERGEN</b>	38	90.5	\$1,429	87.8	260	75.6	294	85.5
<b>MULTI-COUNTY</b>	NA	0.0	NA	0.0	NA	0.0	NA	0.0
<b>MSA TOTAL</b>	42	100.0	\$1,627	100.0	344	100.0	344	100.0

**Performance Context**

<b>MSA 0875 (BERGEN-PASSAIC, NJ)</b>						
	<b>POPULATION</b>		<b>CENSUS TRACTS</b>		<b>FAMILIES</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	53,962	4.2	61	20.1	63,750	18.6
<b>MODERATE</b>	239,459	18.7	46	15.2	64,956	18.9
<b>MIDDLE</b>	667,709	52.3	129	42.6	80,941	23.6
<b>UPPER</b>	317,310	24.8	67	22.1	133,527	38.9
<b>MSA</b>	1,278,440	100.0	303	100.0	343,174	100.0

**EXHIBIT NJ-5**

**Description of Institution's Operations in MSA 5640  
 (Newark, NJ)**

<b>MSA 5640 (NEWARK, NJ)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS ('000,000s)</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>
<b>ESSEX</b>	6	19.4	\$178	19.1	59	20.3	78	33.3
<b>UNION</b>	0	0.0	\$0	0.0	35	12.1	22	9.4
<b>MORRIS</b>	16	51.6	\$495	53.2	125	43.1	107	45.7
<b>SUSSEX</b>	8	25.8	\$240	25.8	68	23.5	24	10.3
<b>WARREN</b>	1	3.2	\$17	1.9	3	1.0	3	1.3
<b>MULTI-C</b>	NA	0.0	NA	0.0	NA	0.0	NA	0.0
<b>MSA TOTAL</b>	31	100.0	\$930	100.0	290	100.0	234	100.0

**Performance Context**

<b>MSA 5640 (NEWARK, NJ)</b>						
	<b>POPULATION</b>		<b>CENSUS TRACTS</b>		<b>FAMILIES</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	167,595	9.1	76	16.4	96,444	20.1
<b>MODERATE</b>	393,167	21.3	104	22.4	84,583	17.6
<b>MIDDLE</b>	700,386	37.9	163	35.1	112,280	23.3
<b>UPPER</b>	585,740	31.7	121	26.1	187,754	39.0
<b>MSA</b>	1,846,888	100.0	464	100.0	481,061	100.0

**EXHIBIT NJ-6**

**Description of Institution's Operations in MSA 3640  
 (Jersey City, NJ)**

<b>MSA 3640 (JERSEY CITY, NJ)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS ('000,000s)</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>
<b>HUDSON</b>	10	100.0	\$302	100.0	82	100.0	86	100.0
<b>MSA TOTAL</b>	10	100.0	\$302	100.0	82	100.0	86	100.0

**Performance Context**

<b>MSA 3640 (JERSEY CITY, NJ)</b>						
	<b>POPULATION</b>		<b>CENSUS TRACTS</b>		<b>FAMILIES</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	13,256	2.4	8	5.0	31,528	22.9
<b>MODERATE</b>	94,550	17.1	29	18.0	22,351	16.2
<b>MIDDLE</b>	336,112	60.8	94	58.4	29,068	21.1
<b>UPPER</b>	109,181	19.7	30	18.6	54,713	39.8
<b>MSA</b>	553,099	100.0	161	100.0	137,660	100.0



**EXHIBIT NJ-7**

**Description of Institution's Operations in MSA 5190  
 (Monmouth-Ocean, NJ)**

MSA 5190 (MONMOUTH-OCEAN, NJ)								
COUNTY	BRANCHES	%	DEPOSITS ('000,000s)	%	HMDA LOANS	%	SMALL BUSINESS LOANS	%
MONMOUTH	7	77.8	\$246	81.7	223	68.4	69	79.3
OCEAN	2	22.2	\$55	18.3	103	31.6	18	20.7
<b>MSA TOTAL</b>	<b>9</b>	<b>100.0</b>	<b>\$301</b>	<b>100.0</b>	<b>326</b>	<b>100.0</b>	<b>87</b>	<b>100.0</b>

**Performance Context**

MSA 5190 (MONMOUTH-OCEAN, NJ)						
	POPULATION		CENSUS TRACTS		FAMILIES	
	#	%	#	%	#	%
<b>LOW</b>	22,660	2.3	16	6.8	49,197	18.3
<b>MODERATE</b>	209,024	21.2	45	19.2	50,528	18.8
<b>MIDDLE</b>	463,241	47.0	104	44.5	65,656	24.5
<b>UPPER</b>	291,402	29.5	69	29.5	102,948	38.4
<b>MSA</b>	<b>986,327</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>268,329</b>	<b>100.0</b>

**EXHIBIT NJ-8**

**Description of Institution's Operations in MSA 5015  
 (Middlesex-Somerset-Hunterdon, NJ)**

<b>MSA 5015 (MIDDLESEX-SOMERSET-HUNTERDON, NJ)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS ('000,000s)</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>
<b>MIDDLESEX</b>	7	87.5	\$209	95.9	104	82.5	60	79.0
<b>SOMERSET</b>	1	12.5	\$9	4.1	22	17.5	16	21.0
<b>MSA TOTAL</b>	8	100.0	\$218	100.0	126	100.0	76	100.0

**Performance Context**

<b>MSA 5015 (MIDDLESEX-SOMERSET-HUNTERDON, NJ)</b>						
	<b>POPULATION</b>		<b>CENSUS TRACTS</b>		<b>FAMILIES</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	19,084	2.1	8	3.4	38,984	16.0
<b>MODERATE</b>	144,103	15.8	39	16.5	49,199	20.2
<b>MIDDLE</b>	565,388	62.0	140	59.3	66,342	27.3
<b>UPPER</b>	183,484	20.1	49	20.8	88,783	36.5
<b>MSA</b>	912,059	100.0	236	100.0	243,308	100.0

**EXHIBIT NJ-9**

**Description of Institution's Operations in MSA 8480  
 (Trenton, NJ)**

<b>MSA 8480 (TRENTON, NJ)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS ('000,000s)</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>
<b>MERCER</b>	3	100.0	\$33	100.0	19	100.0	20	100.0
<b>MSA TOTAL</b>	3	100.0	\$33	100.0	19	100.0	20	100.0

**Performance Context**

<b>MSA 8480 (TRENTON, NJ)</b>						
	<b>POPULATION</b>		<b>CENSUS TRACTS</b>		<b>FAMILIES</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	24,588	7.5	9	14.3	15,679	18.9
<b>MODERATE</b>	51,717	15.9	12	19.0	15,129	18.2
<b>MIDDLE</b>	143,017	43.9	27	42.9	19,972	24.0
<b>UPPER</b>	106,502	32.7	15	23.8	32,329	38.9
<b>MSA</b>	325,824	100.0	63	100.0	83,109	100.0

**EXHIBIT NJ-10**

**Description of Institution's Operations in MSA 0560  
 (Atlantic-Cape May, NJ)**

<b>MSA 0560 (ATLANTIC-CAPE MAY, NJ)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS ('000,000s)</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>
<b>ATLANTIC</b>	6	100.0	\$137	100.0	23	100.0	36	94.7
<b>CAPE MAY</b>	0	0.0	\$0	0.0	0	0.0	2	5.3
<b>MSA TOTAL</b>	6	100.0	\$137	100.0	23	100.0	38	100.0

**Performance Context**

<b>MSA 0560 (ATLANTIC-CAPE MAY, NJ)</b>						
	<b>POPULATION</b>		<b>CENSUS TRACTS</b>		<b>FAMILIES</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	10,351	4.3	5	6.9	10,414	17.0
<b>MODERATE</b>	24,847	10.4	12	16.4	11,218	18.3
<b>MIDDLE</b>	162,536	67.8	42	57.5	14,878	24.2
<b>UPPER</b>	42,105	17.5	14	19.2	24,881	40.5
<b>MSA</b>	239,839	100.0	73	100.0	61,391	100.0

**EXHIBIT NJ-11**

**(BNY has no branches in MSA 6160)**

**Performance Context**

<b>MSA 6160 (PHILADELPHIA, PA-NJ)</b>						
	<b>POPULATION</b>		<b>CENSUS TRACTS</b>		<b>FAMILIES</b>	
	#	%	#	%	#	%
<b>LOW</b>	0	0.0	0	0.0	413	10.6
<b>MODERATE</b>	0	0.0	0	0.0	476	12.3
<b>MIDDLE</b>	7,626	44.4	2	50.0	1,033	26.6
<b>UPPER</b>	9,550	55.6	2	50.0	1,964	50.5
<b>MSA</b>	17,176	100.0	4	100.0	3,886	100.0

**EXHIBIT NJ-20**

**Number of Branches by County and  
 MSA in New Jersey**

<b>County/MSA</b>	<b>Number of Branches</b>	<b>Number of Branches in LMI Tracts/BNAs</b>
<b>New Jersey</b>		
Essex	6	1
Morris	16	1
Sussex	8	1
Warren	1	0
<b>MSA 5640 Total</b>	<b>31</b>	<b>3</b>
Passaic	4	0
Bergen	38	5
<b>MSA 0875 Total</b>	<b>42</b>	<b>5</b>
Ocean	2	1
Monmouth	7	1
<b>MSA 5190</b>	<b>9</b>	<b>2</b>
Middlesex	7	2
Somerset	1	0
<b>MSA 5015 Total</b>	<b>8</b>	<b>2</b>
Hudson	10	1
<b>MSA 3640</b>	<b>10</b>	<b>1</b>
Mercer	3	1
<b>MSA 8480 Total</b>	<b>3</b>	<b>1</b>
Atlantic	6	1
<b>MSA 0560 Total</b>	<b>6</b>	<b>1</b>

<b>Subtotal NJ</b>	<b>109</b>	<b>15</b>
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**TABLE OF CONTENTS  
 STATE OF CONNECTICUT**

Institution’s CRA Rating for State of Connecticut .....BB125

Description of Institution’s Operations in State of Connecticut .....BB126

Description of Assessment Areas..... BB126

Performance Context.....BB126

Conclusions With Respect to Performance Test in Connecticut.....BB127

    Lending Test.....BB127

    Investment Test .....BB128

    Service Test.....BB129

Exhibits.....BB130

    CT-1 Description of Institution’s Operations in Connecticut and Performance  
         Context in MSAs 1160 and 8040 (Fairfield County, CT) .....BB130

    CT-2 Connecticut Demographics .....BB131

    CT-3 Owner-occupied Unit Analysis for Home Purchase and Refinance  
         Loan Across Census Tract Income Level.....BB132

    CT-4 Demand-adjusted Analysis for Business Loans Across Census  
         Tract Income Level .....BB133

    CT-5 Distribution of Home Purchase and Refinancing Loans Across Borrower  
         Income Level.....BB134

    CT-6 Distribution of Small Business Loans by Loan Size .....BB135

    CT-7 Distribution of Small Business Loans by Gross Annual Revenue  
         in Connecticut .....BB136

    CT-8 Number of Branches by County and MSA in Connecticut .....BB137

## STATE OF CONNECTICUT

### *INSTITUTION'S CRA RATING FOR CONNECTICUT:*

This institution is rated **SATISFACTORY**.

BNY's record of helping to meet the credit needs of its assessment areas in Connecticut is good. The majority of lending in Connecticut is located in the bank's assessment area. On a demand adjusted basis, the ratio of home purchase and refinance originated in LMI geographies is three times greater than in non-LMI geographies. The distribution of these loans to individuals of different income levels is excellent. In addition, the delivery of retail services is effective. However, no community development loans or investments were made in the State of Connecticut.



## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF CONNECTICUT:**

BNY operates eight branches within Fairfield County in MSA 1160 (Bridgeport, CT) and MSA 8040 (Stamford-Norwalk, CT). This represents two percent of the bank's total branches and less than 3 percent of the bank's domestic deposits are held by these branches. The bank originated or purchased 180 HMDA loans and 28 small business loans in Connecticut during the 18-month period covered by this examination. This represent approximately three percent and one percent, respectively, of the total HMDA and small business loans originated or purchased by the bank during this time period.

## **DESCRIPTION OF ASSESSMENT AREAS**

The bank's Connecticut assessment areas include the following two towns:

- A portion of MSA 1160 (Bridgeport, CT) consisting of the town of Fairfield. The cities or towns of Ansonia, Beacon Falls, Bridgeport, Derby, Easton, Milford, Monroe, Oxford, Seymour, Shelton, Stratford, and Trumbull are not included.
- A portion of MSA 8040 (Stamford-Norwalk, CT), consisting of the town of Greenwich. The cities or towns of Darien, New Canaan, Norwalk, Stamford, Weston, Westport, and Wilton are not included.

As indicated in Exhibit CT-1, the population of these two MSAs combined is approximately 112,000. None of the area's 31 census tracts included in these MSAs are designated as low-income tracts and only 3 are designated as moderate-income. Twenty-nine percent of the area's 30,527 families are designated as LMI.

## **PERFORMANCE CONTEXT**

Fairfield County is one of the wealthiest counties in the U.S., and the portion of the county BNY has delineated as its assessment areas is more affluent than the county as a whole. The median family income for BNY's assessment areas is \$72 thousand while the median family income for MSA 1160 and 8040 are \$48 thousand and \$69 thousand, respectively. None of the 31 census tracts included in this portion of the bank's assessment areas is designated low-income, and only 3 are designated as moderate-income.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF CONNECTICUT

*The Lending Test is rated: "Low Satisfactory"*

*The Investment Test is rated: "Needs to Improve"*

*The Service Test is rated: "High Satisfactory"*

### LENDING TEST

#### Lending Activity

Lending activity within BNY's assessment areas in Connecticut is adequate with the majority, 52 percent, of HMDA and small business loans originated in the state of Connecticut were originated within the bank's assessment areas.

#### Geographic Distribution of Lending

For home purchase and refinance loans, the distribution across different income levels within the assessment areas is excellent. On a demand-adjusted basis, the bank made over three times as many loans in LMI census tracts as in non-LMI tracts.

#### Borrower Characteristics

Sixty-six percent of the bank's HMDA loans were made to low-income borrowers. The volume of small business lending within the assessment areas is too low to be a factor in the evaluation.

#### Community Development Lending

No community development loans were made in Connecticut.

#### Innovative and Flexible Lending Practices

All flexible loans product offered in the other states in which BNY operates are available in Connecticut except for the mortgage products insured by SONYMA and NJHFA and the Immigrant Loan Program.

## **INVESTMENT TEST**

BNY's rating on the investment test is "needs to improve." No qualified investments were made in Connecticut during the examination period. Bank management indicated that opportunities to make this type of investment within BNY's assessment areas in the state are very limited, and no investments were found that met the definition of community development under Regulation BB or the bank's internal requirements.

## **SERVICE TEST**

BNY's rating on the service test is "high satisfactory" and is based on the bank's record of providing a relatively high level of banking services in its assessment area. The bank's delivery systems are readily accessible to all portions of the bank's assessment area and services do not vary in a way that inconveniences any portion of the assessment area. There are eight branch offices and a new freestanding ATM facility. Three branches are located in LMI geographies. These activities are supplemented by direct sales activities conducted by the Mortgage Company and the bank's real estate lending division. Telemarketing through the bank's toll-free service lines and direct mail is also used to make the bank's products and services accessible to individuals residing in these counties. No branches were opened or closed during the examination period and all offices maintain reasonable hours Monday through Saturday.

BNY also provides a relatively high level of community development services. The president of BNY Mortgage Company serves on the Northeast Regional Advisory Board of the Fannie Mae, formerly the Federal National Mortgage Association, and a bank employee serves as a board member of Patahways, which promotes housing for mentally challenged individuals who are of LMI. Other staff members serve as officers and board members of economic development and affordable housing groups in Norwalk and lower Fairfield County.

**EXHIBIT CT-1**

**Description of Institution's Operations in Connecticut**

<b>MSA 1160 AND 8040 (FAIRFIELD COUNTY, CT)</b>								
<b>COUNTY</b>	<b>BRANCHES</b>	<b>%</b>	<b>DEPOSITS ('000,000s)</b>	<b>%</b>	<b>HMDA LOANS</b>	<b>%</b>	<b>SMALL BUSINESS LOANS</b>	<b>%</b>
<b>FAIRFIELD</b>	8	100.0	\$573	100.0	180	100.0	28	100.0

**Performance Context**

<b>MSA 1160 AND 8040 (FAIRFIELD COUNTY, CT)</b>						
	<b>POPULATION IN INCOME TRACTS</b>		<b>CENSUS TRACTS BY INCOME</b>		<b>FAMILIES BY INCOME LEVELS</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>LOW</b>	0	0.0	0	0.0	4,261	14.0
<b>MODERATE</b>	10,205	9.2	3	9.7	4,591	15.0
<b>MIDDLE</b>	37,744	33.7	10	32.3	5,489	18.0
<b>UPPER</b>	63,910	57.1	18	58.0	16,186	53.0
<b>MSA</b>	111,859	100.0	31	100.0	30,527	100.0

**EXHIBIT CT-2**

**CONNECTICUT DEMOGRAPHICS**

	Median Family Income	Median Housing Value	Affordability Ratio	Gross Median Rent
MSA 1160	\$48,221	\$223,245	22%	\$628
MSA 8040	\$69,403	\$431,074	16%	\$820
ASSESSMENT AREAS	\$72,313	\$413,217	18%	\$928

**EXHIBIT CT-8**

**Number of Branches by County and  
MSA in Connecticut**

<b>State/County/MSA</b>	<b>Number of Branches</b>	<b>Number of Branches in LMI Tracts/BNAs</b>
<b>Connecticut</b>		
Fairfield	7	3
<b>MSA 8040 Total</b>	<b>7</b>	<b>3</b>
Fairfield	1	0
<b>MSA 1160 Total</b>	<b>1</b>	<b>0</b>
<b>Subtotal CT</b>	<b>8</b>	<b>3</b>

**CRA APPENDIX A**

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>	1/1/96 TO 6/30/97		
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
<b>Bank of New York</b> <b>48 Wall Street</b> <b>New York, NY</b>			<ul style="list-style-type: none"> <li>• <b>Residential Mortgage Loans</b></li> <li>• <b>Small Business Loans</b></li> <li>• <b>Small Farm Loans</b></li> <li>• <b>Community Development Loans</b></li> <li>• <b>Qualified Investments</b></li> </ul>
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONS HIP</b>		<b>PRODUCTS REVIEWED</b>
<b>BNY Mortgage Company</b>	<b>Bank subsidiary</b>		<b>Mortgage Loans</b>
<b>BNY Aurora Holding Corporation</b>	<b>Holding company subsidiary</b>		<b>Investments</b>



MC\97CAE13\bony D#5  
DSBB No 02-36-4880

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
<b>NEW YORK</b>  <b>MSA 5600</b> <b>MSA 5380</b> <b>MSA 5660</b> <b>MSA 2281</b> <b>Non-MSA-New York</b>	<b>On-site</b> <b>On-site</b> <b>On-site</b> <b>On-site</b> <b>On-site</b>	<b>Ossining</b> <b>Yonkers</b> <b>Port Chester</b> <b>Peekskill</b> <b>Mount Vernon</b> <b>Freeport</b> <b>Newburgh (2)</b> <b>Port Jervis</b> <b>Middletown</b> <b>Maybrook</b>	<b>Loan and investments files from all branches where loans were originated were reviewed at the bank's main office at 48 Wall St. in New York</b>
<b>NEW JERSEY</b>  <b>MSA 0875</b> <b>MSA 5640</b> <b>MSA 3640</b> <b>MSA 5190</b> <b>MSA 5015</b> <b>MSA 8480</b> <b>MSA 0560</b> <b>MSA 6160</b>	<b>On-site</b> <b>On-site</b> <b>Off-site</b> <b>Off-site</b> <b>Off-site</b> <b>Off-site</b> <b>Off-site</b> <b>Off-site</b>	<b>West Paterson</b> <b>East Rutherford</b> <b>Dover</b> <b>Franklin</b> <b>Garfield</b> <b>Metuchen</b>	<b>Loan and investments files from all branches where loans were originated were reviewed at the bank's main office at 48 Wall St. in New York. No files were reviewed from the MSAs that were examined off-site.</b>
<b>CONNECTICUT</b>  <b>MSA 1160</b> <b>MSA 8040</b>	<b>Off-site</b> <b>Off-site</b>	<b>Greenwich (2)</b>	<b>No loan files from Connecticut were reviewed</b>

**CRA APPENDIX B**

**SUMMARY OF STATE AND MULTISTATE MSA RATINGS**

<b>State or Multistate MSA Name</b>	<b>Lending Test Rating</b>	<b>Investment Test Rating</b>	<b>Service Test Rating</b>	<b>Overall State Rating</b>
<b>NEW YORK</b>	<b>HIGH SATISFACTORY</b>	<b>OUTSTANDING</b>	<b>HIGH SATISFACTORY</b>	<b>SATISFACTORY</b>
<b>NEW JERSEY</b>	<b>HIGH SATISFACTORY</b>	<b>HIGH SATISFACTORY</b>	<b>HIGH SATISFACTORY</b>	<b>SATISFACTORY</b>
<b>CONNECTICUT</b>	<b>LOW SATISFACTORY</b>	<b>NEEDS TO IMPROVE</b>	<b>HIGH SATISFACTORY</b>	<b>SATISFACTORY</b>

## CRA APPENDIX C

### GLOSSARY

**AFFORDABILITY RATIO:** Standard established by the National Association of Realtors to gauge the financial ability of consumers to buy a home. A reading of 100 means that a family earning the national median income has exactly enough money to qualify for a mortgage on a median-priced home. Some economists maintain that every one-point increase in the home mortgage interest rate results in 300,000 fewer home sales.

**AREA MEDIAN INCOME:** (1) The median family income for the MSA, if a person or geography (block numbering area or census tract) is located in an MSA; or (2), if a person or geography (census tract or block numbering area) is located outside an MSA, the statewide non-metropolitan median family income.

**ATM:** Automated teller machine.

**BNA:** Block numbering area.

**BNY:** Bank of New York.

**BNY MORTGAGE:** BNY Mortgage Company.

**CDC:** A community development corporation, or community development company.

**CONSUMER LOANS:** Loans made to one or more individuals for household, family, or other personal expenditures. Consumer loans do not include HMDA loans.

**DEMAND-ADJUSTED BASIS:** On the basis of the proportion of mortgage loans and of applications per thousand owner-occupied housing units in an area, or proportion of small business loans per thousand small business establishments in an area, as applicable.

**FANNIE MAE:** Formerly the Federal National Mortgage Association.

**FHA:** Federal Housing Administration.

**GEOGRAPHY:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census (1990).

**HMDA LOANS:** Loans reported by the bank under Regulation C, Home Mortgage Disclosure Act. They include home purchase mortgage loans, refinance mortgage loans, and home improvement loans.

**HUD:** U.S. Department of Housing and Urban Development.

**LIHTC:** Low-income housing tax credits.

**LMI:** Low- and moderate-income, as in LMI census tracts.

MC\97CAE13\bony D#5  
DSBB No 02-36-4880

**LOAN-TO-VALUE RATIO:** Relationship, expressed as a percent, between the principal amount of a loan and the appraised value of the asset securing the financing. In a residential mortgage loan, the LTV is the percentage value of the property the lender is willing to finance with a mortgage (Dictionary of Banking Terms, 2nd Edition, by Thomas Fitch).

**LOW INCOME:** An individual income that is less than 50 percent of the area median income (i.e., of the median family income for the MSA, if the individual is located in an MSA, or, if the individual is located outside an MSA, of the statewide non-metropolitan median family income), or a BNA or census tract median family income that is less than 50 percent of the area median income. Accordingly, a low-income census tract is one in which the median family income is less than 50 percent of the area median income.

**MIDDLE INCOME:** An individual income that is at least 80 percent and less than 120 percent of the area median income, or a BNA or census tract median family income that is at least 80 percent and less than 120 percent of the area median income.

**MODERATE INCOME:** An individual income that is at least 50 percent and less than 80 percent of the area median income, or a BNA or census tract median family income that is at least 50 percent and less than 80 percent of the area median income.

**MSA:** A metropolitan statistical area or a primary metropolitan statistical area as defined by the director of the Office of Management and Budget.

**NJHFA:** New Jersey Housing Finance Association.

**SALLIE MAE:** Student Loan Marketing Association

**SBA:** Small Business Administration

**SMALL BUSINESS LOANS:** Such loans are defined in Regulation BB, Section 228.12 (u) with reference to the definition of such loans in the instructions for preparation of the Consolidated Report of Condition and Income. These instructions define small business loans as loans (for commercial and industrial purposes) with original amounts of \$1 million or less that have been reported in Schedule RC-C, Part 1, (1.e)(4) of the report.

**SONYMA:** State of New York Mortgage Association.

**UPPER INCOME:** An individual income that is 120 percent or more of the median family income in an MSA or a census tract in which the median family income is 120 percent or more of the median family income in an MSA.

**VA:** Veterans Administration.