

PUBLIC DISCLOSURE

October 13, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**GOTHAM BANK OF NEW YORK
239015**

**1412 BROADWAY
NEW YORK, NEW YORK 10018**

FEDERAL RESERVE BANK OF NEW YORK

33 Liberty Street

New York, New York 10018

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

GENERAL INFORMATION

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 **Gotham Bank of New York** ("Gotham") 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 **October 13, 1998**. The agency evaluates performance in assessment area(s) as they are delineated by the institution rather than by 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: Gotham Bank is rated “**SATISFACTORY.**”

Over the examination review period of June 1, 1996, through June 30, 1998, Gotham's performance with regard to the CRA is rated “satisfactory.” This determination is based on the following performance criteria:

- a loan-to-deposit ratio that is reasonable considering the level of community development lending;
- a majority of its loans extended to small and medium-sized businesses operating in the bank's assessment area; and
- a reasonable dispersion of loans to businesses of different sizes. However, the geographic distribution of loans in low- and moderate-income ("LMI") census tracts is weak.

DESCRIPTION OF INSTITUTION

Gotham is a single office institution established in 1980 and operating in midtown Manhattan. Formerly a factor company, the bank is not part of a holding company or affiliated with any other financial institution. As of June 30, 1998, Gotham reported \$108.1 million in total assets, which includes \$46.1 million (43 percent) and \$55.5 million (51 percent) in total loans and securities, respectively. Total deposits as of June 30, 1998, were \$91 million. Approximately 86 percent of the bank's loan portfolio consists of commercial and industrial loans domiciled in the U.S., with the balance being commercial loans secured by real estate.

Gotham's product lines and services to the public are limited. The bank offers primarily short-term secured and unsecured financing to small and mid-sized businesses in the form of time and demand loans, bills receivable, bills discounted, commercial mortgage loans and lines of credit. Lending activity remains concentrated to manufacturers, wholesalers and importers in the garment, fur, carpet and jewelry industries. Gotham does not offer residential mortgage loans or other consumer financing. Loan purposes include working capital, including accounts receivable and inventory financing, business acquisition, business expansion, the purchase of office equipment, commercial investment in real estate and mortgage warehouse financing.

There are no financial or legal impediments preventing the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Gotham's assessment area has not changed since the previous examination and encompasses approximately the lower two-thirds of Manhattan (New York County) bounded by 86th Street on the north to the Hudson and East rivers, west and east, down to the southern tip of the island. There are 162 census tracts in the bank's assessment area. Nineteen census tracts are low-income, 25 are moderate-income, 18 are middle-income, and 100 are upper-income. Approximately 27 percent of the bank's assessment area consists of LMI census tracts. The bank's assessment area consists mainly of multifamily residences, commercial lofts, and office buildings with retail establishments on the ground floor.

The following demographic and economic information was obtained from publicly available sources that include the United States Department of Commerce's Bureau of the Census, 1990, the U.S. Bureau of the Census' 1994 County Business Patterns, the U.S. Department of Labor, and the Department of Housing and Urban Development ("HUD").

The population in the assessment area is approximately 775 thousand, which is about 9 percent of the total population of Primary Metropolitan Statistical Area ("PMSA") 5600 (New York, NY)

There are 97,766 business establishments in New York County, of which 94 percent have fewer than 50 employees. These establishments employ 1,884,393 individuals, with the service sector accounting for 41 percent of total employment, the finance, insurance, and real estate sector for 22 percent, and the retail trade sector for 10 percent.

More than 5,000 businesses are located between 35th Street and 41st Street between Ninth Avenue and Fifth Avenue and most of them are part of the garment industry. Businesses include textile and apparel manufacturing, marketers, fashion forecasters, retailers, designers, and apparel wholesaling. Eighty percent of the employment in the area is attributable to companies with fewer than 20 employees. Many of the small and medium-sized companies rely on factoring to complete orders. According to a contact at a local business improvement organization, there is a strong need for small business financing and factoring. In addition, the community contact indicated that many garment businesses have been forced out of the market in recent years because of the competitiveness of the industry and overseas competition.

Strong job growth is found in the service and retail trade sectors, while job losses continue in manufacturing and some government sectors. In November 1997, the seasonally adjusted unemployment rate in New York City was 8.7 percent, compared with 6.2 percent for New York State.

Map goes here

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The CRA examination of Gotham covered the period of June 1, 1996, through June 30, 1998. For the lending, income, and geographic distribution performance criteria, 182 small business loans were reviewed. The “satisfactory” rating is based on the favorable assessment of most of the bank’s core performance criteria.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area. Based on information contained in its *Consolidated Report of Condition and Income* for the four most recent quarters ending June 30, 1998, the bank’s average loan-to-deposit ratio was 42 percent. This is below the average for similarly situated institutions in the bank’s assessment area which is 51 percent and below the national peer group average of 68 percent. The below average loan-to-deposit ratio is attributed to the bank's business strategy of offering only commercial loans to small and mid-sized businesses which are manufacturers, wholesalers and importers in the jewelry, garment and fur industries. Gotham’s loan-to-deposit ratio has increased over the past year primarily because of a \$7.2 million growth in commercial loan activity.

The bank’s community development lending greatly enhances its performance in this category. As of June 29, 1998, community development lending consisted of the following loans: a \$3.2 million real estate loan to a for-profit corporation to purchase a 120-room housing facility in East Harlem for abused (battered or otherwise endangered) women with children; a \$603 thousand real estate loan to a for-profit corporation to purchase a building managed by a nonprofit housing development corporation as affordable housing for LMI individuals and families with special needs; a \$250 thousand line of credit to the New York Business Development Corporation, a privately owned and managed corporation that pools resources and risks to complement banks in providing funds to help small businesses expand in New York State; a \$64 thousand deposit to a Brooklyn-based community development financial institution; and \$432 thousand in letters of credit to a construction company that specializes in affordable housing in the inner cities of large metropolitan areas. The letters of credit support the construction of affordable housing for low-income individuals and families and other community development projects in New York City.

Lending in Assessment Area

During the examination review period, Gotham originated a majority its loans within its assessment area. Of the 182 small business loans sampled, 106, or 58 percent, were extended to businesses located within the bank’s assessment area.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

The bank's record of lending to businesses of different sizes is reasonable given the demographics of its assessment area. Of all business loans sampled within the assessment area, 57 percent (60 out of 106) were made to small businesses with gross annual revenues of \$1 million or less. As previously mentioned, Gotham does not offer consumer loans.

EXHIBIT 1

Distribution of Loans Within Assessment Area by Size of Business

Summary of Small Business and Farm Lending					
Number of loans to businesses	Number of loans to <u>small</u> businesses*	% of loans to <u>small</u> businesses	\$ amount of loans to businesses	\$ amount of loans to <u>small</u> businesses*	% of \$ amount to <u>small</u> businesses
106	60	57%	\$11,814,783	\$2,514,090	21%

*Businesses with gross annual revenues of \$1 million or less.

Geographic Distribution of Loans

Geocoding analysis of the small business loan sample indicates that lending in LMI income census tracts is weak. Of the business loans originated in the bank's assessment area, 12 percent (13 out of 106) were originated to businesses located in LMI census tracts. The bank's small business lending activity in LMI tracts is inconsistent with the demographics of the assessment area. Approximately 21 percent (22,324 out of 106,477) of the small businesses in the assessment area are located in LMI census tracts. Over 2,000 of these businesses are in the jewelry, garment or fur industries.

Response to Complaints

No complaints relating to Gotham's CRA performance were received by Gotham or the Federal Reserve Bank of New York since the previous examination.

Gotham is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act and relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.