

PUBLIC DISCLOSURE

March 15, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**United States Trust Company of New York
RSSD No. 2333412**

**114 West 47th Street
New York, NY 10036**

Federal Reserve Bank of New York

**33 Liberty Street
New York, New York 10045**

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

TABLE OF CONTENTS

Institution	
Institution's CRA Rating	BB1
Description of Institution	BB1
Description of Assessment Area	BB1
Performance Context	BB2
Conclusions With Respect to Performance Criteria	BB4
Community Development Lending.....	BB4
Qualified Investments	BB5
Community Development Services	BB6
Compliance With Antidiscrimination Laws	BB6
Exhibits	
Exhibit 1 – Assessment Area Demographics	BB3
Exhibit 2 – Summary of Community Development Lending.....	BB4
Exhibit 3 – Summary of Qualified Investment Activity.....	BB5
CRA Appendices	
CRA Appendix A: Scope of Examination.....	BB7
CRA Appendix B: Glossary.....	BB7
CRA Appendix C: Map of Assessment Area	BB10

INSTITUTION'S CRA RATING

United States Trust Company of New York is rated **“OUTSTANDING.”**

For the examination period of March 16, 2002, through December 31, 2003, the institution's outstanding performance is based on the following:

- High levels of community development activities;
- Use of innovative or complex community development loans, qualified investments and community development services; and
- Excellent responsiveness to credit and community development needs in the bank's assessment area.

DESCRIPTION OF INSTITUTION

Headquartered in New York City, United States Trust Company of New York (“U.S. Trust”) is a state-chartered banking institution providing investment management, private banking and fiduciary services to high net worth individuals and institutions throughout the New York City metropolitan area. The bank's assets totaled \$6.5 billion as of December 31, 2003, with net loans and leases of \$4.8 billion and total deposits of \$4.9 billion.

The bank does not extend home mortgage, small business or consumer credit to retail customers or the public at large. The bank does, however, originate loans to accommodate its private banking clientele. Accordingly, the Federal Reserve Board of Governors designated U.S. Trust a wholesale bank on October 30, 1996. The designation was reaffirmed at this examination.

U.S. Trust is the principal subsidiary of the U.S. Trust Corporation, a bank holding company also based in New York, New York. U.S. Trust Corporation is the wholly owned subsidiary of the Charles Schwab Corporation, which became a financial holding company when its acquisition of U.S. Trust Corporation was completed May 1, 2000.

On February 28, 2002, United States Trust Company of New Jersey, which operated offices in that state in Princeton and Morristown, was merged into U.S. Trust, expanding the bank's assessment area into northern New Jersey.

U.S. Trust's previous CRA examination was conducted as of April 29, 2002, at which time the bank also received an overall rating of “outstanding.” There are no financial or legal factors that would prevent U.S. Trust from fulfilling its obligations under CRA.

DESCRIPTION OF ASSESSMENT AREA

U.S. Trust's assessment area consists of the New Jersey and New York portions of CMSA 5602

(New York-Northern NJ-Long Island, NY-NJ-CT-PA). Specifically, the assessment area includes:

- PMSA 0875 (Bergen-Passaic, NJ)
- PMSA 3640 (Jersey City, NJ)
- PMSA 5015 (Middlesex-Somerset-Hunterdon, NJ)
- PMSA 5190 (Monmouth-Ocean, NJ)
- PMSA 5640 (Newark, NJ)
- PMSA 8480 (Trenton, NJ)
- PMSA 2281 (Dutchess County, NY)
- PMSA 5380 (Nassau-Suffolk, NY)
- PMSA 5600 (New York, NY)
- PMSA 5660 (Newburgh, NY)

The assessment area does not arbitrarily exclude low- and moderate-income (“LMI”) geographies and is in compliance with the requirements of Regulation BB Section 228.41. A map of the assessment area appears on page BB10.

PERFORMANCE CONTEXT

The information used to describe U.S. Trust’s assessment area and evaluate the context of the bank’s operations was obtained from publicly available sources including the U.S. Department of Commerce’s Bureau of the Census, U.S. Department of Labor, and U.S. Department of Housing and Urban Development (“HUD”). Exhibit 1 on the following page provides details of assessment area demographics.

According to the 2000 Census, the population in the assessment area is over 19 million. As shown at right, the 2003 HUD-adjusted median family income ranged from \$51,900 in PMSA 5600 (New York, NY) to \$86,900 in PMSA 5015 (Middlesex-Somerset-Hunterdon, NJ). Nearly 11% of families subsist below the poverty level in the assessment area.

HUD MEDIAN FAMILY INCOME	
PMSA	2003
5600 (New York, NY)	\$51,900
5380 (Nassau-Suffolk, NY)	\$83,700
3640 (Jersey City, NJ)	\$51,600
5015 (Mid.-Som.-Hun., NJ)	\$86,900

The assessment area’s expensive housing in relation to income raises significant affordability issues for the LMI population. According to the National Association of Realtors, the median price of a single-family home in the New York City-northern New Jersey metropolitan area was more than \$353 thousand in the fourth quarter of 2003, up from \$320 thousand in the fourth quarter of 2002.

The sharp disparity between incomes and costs of either owned or rented housing indicates that the LMI population needs affordable mortgage programs and rental property development. The community contacts examiners interviewed throughout the assessment area agreed that affordable housing is a most pressing need.

The 2000 Census reports that 35% of housing units in the New York PMSA were built before

EXHIBIT 1								
Assessment Area Demographics								
CMSA 5602 (New York-Northern NJ-Long Island, NY-NJ-CT-PA)								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	438	9	382,984	8	145,594	38	1,088,400	23
Moderate-income	989	21	1,015,342	21	191,051	19	791,866	17
Middle-income	1,773	38	1,871,805	39	123,283	7	932,274	19
Upper-income	1,439	30	1,514,517	32	49,349	3	1,972,108	41
NA	87	2	0	0	0	0	0	0
Total Assessment Area	4,726	100	4,784,648	100	509,277	11	4,784,648	100
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacancy	
		#	%	%	#	%	#	%
Low-income	596,194	70,755	2	12	480,128	81	45,311	8
Moderate-income	1,618,715	456,472	13	28	1,052,419	65	109,824	7
Middle-income	2,839,828	1,596,693	44	56	1,083,101	38	160,034	6
Upper-income	2,404,758	1,507,346	42	63	791,282	33	106,130	4
NA	269	25	0	9	100	37	144	54
Total Assessment Area	7,459,764	3,631,291	100	49	3,407,030	46	421,443	6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	23,613	5	18,928	4	3,786	4	899	6
Moderate-income	78,094	15	64,213	15	11,494	14	2,387	16
Middle-income	193,466	37	160,387	38	27,783	33	5,296	36
Upper-income	225,479	43	178,927	42	40,429	48	6,123	41
Tract not reported	3,810	1	2,564	1	1,158	1	88	1
Total Assessment Area	524,462	100	425,019	100	84,650	100	14,793	100
	Percentage of Total Businesses:			81		16		3

1940. The aging housing stock indicates a need for home improvement financing. Throughout CMSA 5602 (New York-Northern NJ-Long Island, NY-NJ-CT-PA), 27% of housing units were built before 1940.

In addition, the assessment area has a shortage of affordable rental housing. According to the 2000 Census, the median rent in PMSA 5600 (New York, NY) is \$715, a gross rent figure which represents 35% or more of the income earned in more than a third of all households. This median figure is lower than the market rent as it includes rent-stabilized apartments.

During the examination period, the New York metropolitan area was still recovering from the

effects of September 11, 2001, and the national recession. According to the U.S. Department of Labor, the New York PMSA's unemployment rate was 7.3% in 2002 and ranged from 7.1% to 8.4% in 2003. The accompanying table shows 2002 unemployment rates for various PMSAs in the assessment area.

PMSA 5600 (New York, NY)	7.3%
PMSA 2281 (Dutchess Cty., NY)	4.1%
PMSA 3640 (Jersey City, NJ)	8.1%
PMSA 5015 (Mid.-Som.-Hun., NJ)	5.0%

Organizations involved in economic development activities need community development loans and grants, particularly in those areas experiencing relatively weak economic conditions.

SCOPE OF EXAMINATION

The bank's performance was evaluated using the *Interagency Procedures and Guidelines for Wholesale and Limited Purpose Institutions*. The evaluation covers U.S. Trust's community development activities from March 16, 2002, through December 31, 2003.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

U.S. Trust provided an excellent level of community development loans and qualified investments totaling \$50 million, as well as an adequate level of community development services. These activities were responsive to credit and community development needs in the bank's assessment area. In some cases, qualifying activities were innovative and/or complex.

Community Development Lending

As shown in Exhibit 2, the bank's community development lending totaled over \$6 million. Most of the lending activity was directed to financial intermediaries that provide loans and other services to community development organizations. In many cases, the financial intermediaries' multifaceted approach to community development addressed a combination of job, service and

EXHIBIT 2		
Summary of Community Development Lending		
March 16, 2002 – December 31, 2003		
Assessment Area	Commitment ('000s)	%
Affordable Housing	\$1,775	28%
Economic Development	\$1,820	29%
Revitalize and Stabilize	\$100	2%
Community Services	\$2,562	41%
TOTAL ACTIVITY	\$6,257	100%

housing needs of LMI communities in New York City. In addition, some of the loans had innovative terms that resulted in reduced financing costs for the borrower.

U.S. Trust’s community development lending included:

- A construction loan to build an administrative building in Harlem for an organization that provides visiting nurse and social services, an emergency food “pantry,” early childhood programs, and various family support services for LMI income families. The entity purchased a building, demolished it, and is constructing a new building to house all its programs.
- A revolving line of credit to an affordable housing-related community development organization that specializes in LMI housing throughout New York and New Jersey. The organization lends for large and small apartment buildings, and for new construction.
- A revolving line of credit to a community development financial institution (“CDFI”) that serves the capital needs of nonprofit organizations by providing financing and business advisory services.
- A term loan to a statewide CDFI, which simultaneously provides community-based organizations in New Jersey with access to funds and provides lenders and investors with the opportunity to invest in viable projects in the state’s lower-income communities.

Qualified Investments

As shown in Exhibit 3 below, the bank made more than \$44 million in qualified investments, including over \$27 million in new investments. Most of the investments were in mortgage-backed securities targeted to LMI borrowers throughout CMSA 5602 (New York-Northern NJ-Long Island, NY-NJ-CT-PA).

U.S. Trust also retains a number of low-income housing tax credit investments targeted to its

EXHIBIT 3						
Summary of Qualified Investment Activity						
March 16, 2002 – December 31, 2003						
Assessment Area	Prior Period Investments ('000s)	%	Current Period Investments ('000s)	%	Total Investments ('000s)	%
Affordable Housing	\$16,770	98%	\$25,970	95%	\$42,740	96%
Economic Development	\$103	1%	\$506	2%	\$609	1%
Revitalization & Stabilization	\$230	1%	\$82	<1%	\$312	1%
Community Services	0	0%	\$693	3%	\$693	2%
TOTAL ACTIVITY	\$17,103	100	\$27,251	100	\$44,354	100

assessment area. Considered complex because of highly technical accounting requirements, these investments helped meet the assessment area's critical need for affordable housing.

Community Development Services

U.S. Trust provided an adequate level of community development services in relation to the size of its staff. Twenty-three community development services are ongoing commitments requiring U.S. Trust employees' regular participation on boards and on loan and advisory committees in addition to fund-raising and marketing efforts for local community development organizations.

These services are considered complex and highly responsive as they involved significant amounts of time to help develop new programs and review nonconforming and unique lending transactions. In addition, U.S. Trust hosted four meetings for organizations engaged in community development.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

No credit practices that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B) and the Fair Housing Act, were identified that would have an impact on the bank's CRA rating.

CRA APPENDIX A

SCOPE OF EXAMINATION

Details concerning the scope of examination are found on page BB4.

CRA APPENDIX B

GLOSSARY

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Financial Institution ("CDFI"): An organization that has been certified by the U.S. Treasury as a provider of loans and services assisting specially funded institutions that revitalize LMI areas and assist LMI persons.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA"): This statute requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for

example, approved, denied and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in HMDA. This definition also includes loans for multifamily dwellings (five or more families), loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Low-income: Individual income that is less than 50% of the area median income, or a median family income that is less than 50%, in the case of a geography.

Metropolitan area (“MA”): Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan statistical area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-income: Individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

Moderate-income: Individual income that is at least 50% and less than 80% of the area median income, or a median family income that is at least 50% and less than 80%, in the case of a geography.

Multifamily: Refers to a residential structure containing five or more units.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution’s CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”) and the Thrift Financial Reporting (“TFR”) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as “small business loans” if the loans are reported on the TFR as non-mortgage, commercial loans.

Upper-income: Individual income that is more than 120% of the area median income, or a

median family income that is more than 120%, in the case of a geography.

Wholesale bank: A bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with the CRA regulation.

United States Trust Company

Assessment Area

2003

