

PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**European American Bank
RSSD No. 736309**

**One EAB Plaza
Uniondale, NY 11555**

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

General Information	BB1
Institution.....	BB2
Institution’s CRA Rating.....	BB2
Lending, Investment, and Service Tests Table.....	BB3
Description of Institution	BB4
Description of Assessment Areas	BB4
Map of Assessment Areas.....	BB6
Scope of Examination.....	BB7
Conclusions with Respect to Performance Tests.....	BB7
Lending Test.....	BB7
Investment Test	BB13
Service Test	BB14
Compliance With Fair Lending Laws	BB19
Primary Metropolitan Statistical Area (“PMSA”) Analyses.....	BB20
PMSA 5380 (Nassau-Suffolk, NY).....	BB21
PMSA 5600 (New York, NY)	BB29
Exhibits.....	BB39
A - Demographic Summary of Assessment Areas.....	BB40
B - PMSA 5380 (Nassau-Suffolk, NY) Demographic Summary	BB41
C - PMSA 5600 (New York, NY) Demographic Summary.....	BB42
D - Total Loan Originations and Lending Inside and Outside the Assessment Areas	BB43
E - Demand-adjusted Analysis for Home Purchase Loans and Refinancings by Census Tract Income Levels	BB44
F - Demand-adjusted Analysis for Business Loans Across Census Tract Income Levels ..	BB45
G - Distribution of Home Purchase Loans and Refinancings by Borrower Income Levels	BB46
H - Distribution of Small Business and Small Farm Loans by Loan Size	BB47
I - Total Community Development Lending Activity.....	BB48
J - Community Development Lending in PMSA 5380 (Nassau-Suffolk, NY)	BB49
K - Community Development Lending in PMSA 5600 (New York, NY).....	BB50
L - Summary of Total Qualified Investments.....	BB52

M - Qualified Investments in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 5600 (New York, NY) BB53

 N - Branches by County/PMSA and Off-site ATMs by County/PMSA..... BB54

CRA Appendices BB55

 CRA Appendix A: Scope of Examination BB56

 CRA Appendix B: Glossary BB57

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 **European American Bank** 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 **March 2, 1998**. 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: European American Bank is rated “SATISFACTORY.”

European American Bank’s level of compliance with the CRA is based on an evaluation of the performance criteria for large retail institutions specified under the CRA with respect to the lending, investment and service tests.

Performance under the lending test is rated “high satisfactory” based primarily on the following findings:

- The number of home purchase, refinance, and small business loans originated by the bank and its affiliates during the examination period exhibited excellent responsiveness to credit needs in the bank’s assessment areas.
- The overall geographic distribution of loans reflects good loan penetration throughout the low- and moderate-income (“LMI”) areas of the bank’s assessment areas. Some weakness was noted, however, in mortgage lending in PMSA 5380 (Nassau-Suffolk, NY)
- The distribution of lending to customers of different income levels was good and to businesses of different sizes was excellent.
- The bank had an excellent level of community development lending totaling \$152 million.
- The bank made limited use of innovative or flexible lending practices.

Performance under the investment test is rated “outstanding” based on the following finding:

- **The bank had a significant level of qualified investments in its assessment areas totaling \$10.4 million.**

Performance under the service test is rated “high satisfactory” based primarily on the following findings:

- **The bank’s delivery systems were reasonably accessible to all portions of the bank’s assessment areas, and services did not vary in a way that would inconvenience certain portions of the assessment areas. However, the distribution of the bank’s branch network between LMI and non-LMI census tracts does not adequately reflect the demographics of the assessment areas.**
- **The bank provided a high level of community development services throughout its assessment areas.**

The following table summarizes the performance level of European American Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	EUROPEAN AMERICAN BANK		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests in determination of the overall rating.

DESCRIPTION OF INSTITUTION

European American Bank (EAB) is a New York State-chartered banking corporation and a member of the Federal Reserve System. It is a wholly owned subsidiary of ABN AMRO Bank, N.V., the fifteenth largest bank in the world, with 1,890 locations in 71 countries. Subsidiaries of EAB include EAB Mortgage Company, a residential mortgage lender, and EAB Community Development Corporation. Activities of both subsidiaries were considered at this examination. As of September 30, 1997, the bank had total assets of \$10.1 billion, net loans and leases of \$4.4 billion, and total deposits of \$7.3 billion. The holding company had total consolidated assets of approximately \$400 billion.

As of the examination date, March 2, 1998, EAB operated 86 full-service retail branches within its assessment areas. Of that total, 62 branches or 72 percent were located in PMSA 5380 (Nassau-Suffolk, NY) and 24 branches or 28 percent were located in PMSA 5600 (New York, NY). Approximately 59 percent or \$4.3 billion of the bank's total deposits were in PMSA 5380 (Nassau-Suffolk, NY), while \$3 billion or 41 percent of deposits were held in PMSA 5600 (New York, NY).

EAB's previous CRA examination was conducted as of April 15, 1996, at which time the bank received an overall rating of "satisfactory." There are no financial or legal factors that would impede EAB in fulfilling its responsibilities under the CRA.

DESCRIPTION OF ASSESSMENT AREAS

EAB has two assessment areas. The first consists of PMSA 5380 (Nassau-Suffolk, NY) and the second consists of a portion of PMSA 5600 (New York, NY) that includes Bronx, Kings, New York, and Queens Counties. The bank's assessment areas have not changed since the previous examination. The assessment areas are in compliance with the requirements of Section 228.41 of Regulation BB and do not arbitrarily exclude any LMI geographies.

Performance Context

Demographic Characteristics

According to the 1990 Census, total population in the assessment areas is approximately 9.6 million, about 53 percent of the population of New York State. Approximately 73 percent of the population resides in the PMSA 5600 (New York, NY) portion of the assessment areas.

Income Characteristics

Higher income levels are found in the PMSA 5380 (Nassau-Suffolk, NY) assessment area, where the 1997 U.S. Department of Housing and Urban Development ("HUD") median family income is \$68,500. In the PMSA 5600 (New York, NY) portion of the assessment areas, income levels are lower, with a HUD 1997 median family income of \$47,300. According to the 1990 census, the percentage and number of families in the assessment areas with low, moderate, middle and upper incomes consist of 25 percent or 586,798 low-income families, 17.4 percent or 407,622 moderate-income families, 21 percent or 491,837 middle-income families, and 36.6 percent or 860,398 upper-income families.

Housing Characteristics

Overall, there are approximately 3.8 million housing units in the assessment areas, 1.4 million or 37 percent of which are owner-occupied. Most owner-occupied units are located in PMSA 5380 (Nassau-Suffolk, NY), where the level of owner occupancy is 74 percent. By contrast, in the PMSA 5600 (New York, NY) portion of the assessment areas, the level of owner occupancy is only 25 percent. Most of the housing units in PMSA 5380 (Nassau-Suffolk,

NY) are single-family units, whereas multifamily structures of five units or more predominate in the New York PMSA. Housing costs in both PMSAs are very expensive in relation to the median family income.

Labor, Employment and Economic Characteristics

The local economy is rebounding from a sharp economic downturn that occurred between 1989 and 1992. Job growth in the service and retail sectors compensates for job losses in the manufacturing and government sectors. Unemployment is declining, primarily in the Nassau-Suffolk PMSA.

According to community contacts interviewed during this examination, the development, retention and rehabilitation of affordable owner-occupied and rental housing units are the primary credit needs in the assessment areas. Other needs include economic development to provide for the expansion of businesses and jobs, financial assistance to small businesses, and job training and retraining programs.

Exhibits A through C provide demographic summaries of the assessment areas and individual PMSAs contained in the bank's assessment areas. The following map represents the delineation of EAB's assessment areas.

Insert Assessment Area map here

SCOPE OF EXAMINATION

The evaluation of EAB's CRA performance included mortgage loans and refinancings of such loans (which were evaluated together) and multifamily housing loans originated by the bank and its affiliate, EAB Mortgage Company, from January 1, 1996, through September 30, 1997. Also included were small business loans originated by the bank in the same period and community development loans originated from January 1, 1996, through December 31, 1997. In addition, bank investments, grants and services qualifying as community development were included in the evaluation.

Home improvement loans originated by the bank and reported under Regulation C/Home Mortgage Disclosure Act (HMDA) were excluded from the analysis because of the extremely low volume of originations -- only 72 such loans were extended during the examination period. The bank's home equity product lines, which have a more favorable interest rate and a tax deductible feature making them more attractive to borrowers, were cited as the reason for the low loan volume.

For evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 Census income data. Determination of the distribution of loans to borrowers of different income levels was based on 1997 HUD estimated median family income data.

In evaluating the geographic distribution of HMDA-related loans, a demand-adjusted analysis was performed, comparing the proportion of loans per thousand owner-occupied housing units in LMI and non-LMI geographies. For small business loans, a demand-adjusted analysis was performed comparing the proportion of loans per thousand small business in LMI and non-LMI geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

EAB's record of meeting the credit needs of its assessment areas through its lending performance is rated high satisfactory."

Lending Activity

EAB's lending activity reflects an excellent response to assessment area credit needs. The overall volume of loans originated during the examination period was excellent, and a substantial majority of the bank's loans were originated in the bank's assessment areas.

During the examination period, 8,890 loans totaling \$1.4 billion were originated, consisting of 4,959 small business loans and 3,931 HMDA-related loans. The total dollar amount of originations was evenly divided between the two loan categories.

The volume of loan originations increased substantially since the previous examination. The number of HMDA-related loans increased 176 percent while the number of small business loans increased 101 percent. The increases apparently result from the formation of the mortgage company subsidiary and the success of the bank's small business credit line product.

Of total loan originations, approximately 73 percent of HMDA-related loans and 99 percent of small business loans were originated within the bank's assessment areas. For details, see Exhibit D.

Geographic Distribution of Lending

Overall, the analysis exhibited good HMDA-related and small business loan activity among the low-, moderate-, middle-, and upper-income geographies in the bank's assessment areas; however, some weakness was noted in PMSA 5380 (Nassau-Suffolk, NY) involving HMDA-related lending.

Exhibits E and F reflect the bank's HMDA-related and small business lending activity in the assessment areas across census tract income levels.

HMDA-related Loans

Overall, throughout the assessment areas, the geographic distribution of home purchase loans and refinancings reflects good distribution in the bank's assessment areas; however, on a demand-adjusted basis, weakness was noted in PMSA 5380 (Nassau-Suffolk, NY). Overall, the demand-adjusted level of loan originations was 1.4 times greater in non-LMI census tracts than in LMI census tracts. In PMSA 5600 (New York, NY), the demand-adjusted level of lending was strongest with an equivalent level of lending in LMI and non-LMI census tracts; however, in PMSA 5380 (Nassau-Suffolk, NY), the demand-adjusted level of lending was 1.7 times greater in non-LMI census tracts than in LMI census tracts.

The bank's demand-adjusted performance in the assessment areas declined significantly since the previous examination. At the previous examination, the demand-adjusted level of lending was two times greater in LMI census tracts than in non-LMI census tracts. This reversal in performance appears to be primarily the result of activity in PMSA 5380 (Nassau-Suffolk, NY) where lending in non-LMI geographies increased significantly while lending in LMI geographies remained at previous examination levels. Also, in PMSA 5600 (New York, NY) the level of lending in LMI geographies declined because no large EAB-financed owner-occupied affordable housing community development projects were completed. Such projects provide the bank with a strong opportunity to originate mortgage loans to purchasers. At the previous examination, two projects completed in LMI geographies were the direct source of 178 mortgage loan originations.

Multifamily HMDA-related reportable lending, however, strengthened the bank's performance in PMSA 5600 (New York, NY). EAB originated 11 multifamily loans during the examination period, 9 in PMSA 5600 (New York, NY) and 2 in PMSA 5380 (Nassau-Suffolk, NY). Of the loans in PMSA 5600 (New York, NY), 7 were in LMI geographies and represented 323 rental housing units. Community contacts made during this examination noted the critical need for rental housing in the LMI areas of PMSA 5600 (New York, NY). In the assessment area portion of PMSA 5600, 73 percent of housing units are renter-occupied. Community development lending activities in PMSA 5600 (New York, NY) also helped to provide affordable housing opportunities, as discussed on page BB30.

Small Business Loans

EAB's demand-adjusted performance with regard to small business loan activity was good. In PMSA 5600 (New York, NY), the bank's level of small business lending was 1.2 times higher in non-LMI census tracts than in LMI census tracts. In PMSA 5380 (Nassau-Suffolk, NY), the bank's level of lending was 1.5 times higher in non-LMI census tracts than in LMI census tracts. This demand-adjusted performance was generally consistent with the previous examination where performance in PMSA 5600 (New York, NY) was equivalent in LMI and non-LMI tracts, while lending in PMSA 5380 (Nassau-Suffolk, NY) was approximately 1.2 times higher in non-LMI census tracts than in LMI census tracts.

Borrower Characteristics

Overall, EAB's distribution of borrowers reflects a good penetration among customers of different income levels and businesses of different sizes, as shown in Exhibits G and H.

HMDA-related Loans

The distribution of HMDA-related loans among customers of different income levels reflects an acceptable distribution, given the high housing costs in the assessment areas. Overall, 18.5 percent of HMDA-related loan originations were to LMI borrowers while 42 percent of families in the assessment areas are considered LMI. The disparity occurred in lending to low-income borrowers, which represent 3 percent of the bank's HMDA-related

originations, while 25 percent of families in the assessment areas are considered low-income. The bank's record of lending to moderate-income borrowers, however, was strong with 15 percent of HMDA-related loan originations to such borrowers, and compared favorably with the demographics of the assessment areas which show that 17 percent of families are moderate-income.

The level of lending to low-income borrowers is a result of the high cost of housing in the assessment areas relative to income levels, which generally precludes low-income borrowers from the housing market. This is particularly apparent considering that of all low-income families in the assessment areas, 51 percent are below the poverty level of \$12,674 for a family of four. According to the 1990 census, the median family income for the assessment areas is \$40,362, while the median housing value is \$187,014. Low-income families, whose income level is \$20,181 or less, would not be able to finance the purchase of a home in this market.

A review of 1996 lending activity for a peer group of 12 of the largest volume HMDA reporters, including financial and nonfinancial institutions in the bank's assessment areas, supports the contention that low-income borrowers are generally precluded from the mortgage market. The peer group originated only 2 percent of home purchase loans and refinancings to low-income borrowers while loans to LMI borrowers combined totaled 12.5 percent of all loans. EAB's 15 percent level of lending to moderate-income borrowers exceeded the 10.5 percent level of the peer group. Information regarding 1997 HMDA-related activity for the peer group was not available at the time of this examination.

Small Business Loans

Within the assessment areas, the bank's record of lending to businesses of different sizes is excellent. For the assessment areas, 72 percent of the bank's small business loans were for amounts of \$100 thousand or less. The average size of such loans was \$30,278, an amount which would typically meet the credit needs of smaller businesses.

Of all small business loans in the assessment areas, 41 percent of loans originated during the examination period were to businesses with gross annual revenues (GAR) of \$1 million or less. This performance appears to be consistent with other small business lenders in the assessment areas. In 1996, EAB reported 36 percent of loans to businesses with GAR of \$1 million or less while the aggregate of financial institutions operating within the assessment areas, and reporting 10 or more small business loan originations, reported 39 percent of loans to such businesses. Information relative to the 1997 lending activities of aggregate lenders was not available at the time of this examination.

The bank's share of small business loans to businesses with GAR of \$1 million or less may be higher than reported by the bank. Twenty-six percent of the bank's small business loan originations did not indicate the borrower's revenue size. According to management, these loans generally included the bank's small business credit line product. This product utilizes credit scoring which does not consider the revenue size of the business when making a credit decision. The small business credit line has a maximum amount of \$50 thousand, and management has stated that almost all borrowers for this product have annual revenues of \$1 million or less. If these loan originations are included with reported small business loans to business with GAR of \$1 million or less, EAB's share of lending to such businesses increases to 67 percent of total small business loans. In general, this compares favorably with the fact that of all businesses in the assessment areas, 83 percent have revenues of \$1 million or less.

Community Development Lending

EAB's community development performance was outstanding. During the examination period, community development loan commitments totaled \$152 million, of which \$143 million or 94 percent were new commitments originated since the previous examination. Total commitments at this examination represent a 243 percent increase since the previous examination when community development loans totaled \$44.3 million. For details, see Exhibits I through K.

Activity primarily involved direct lending initiatives. Of the total 75 community development loan commitments extended during the examination period, 64 were direct loans totaling \$113.4 million (or 75 percent of activity). Many direct loans were complex in nature requiring coordination between the bank and government agencies and limited and general partnerships. Indirect loans to numerous financial intermediaries and consortia totaled \$38.3 million or 25 percent of activity.

Community development lending centering on economic development totaled \$74.2 million or 49 percent of total activity. Lending related to affordable housing construction and rehabilitation totaled \$46.6 million or 31 percent of total activity, while community service lending totaled \$24.6 million or 16 percent of total activity, and lending for revitalization and stabilization totaled \$6.3 million or 4 percent of activity. Affordable housing initiatives provided for the construction or rehabilitation of 599 affordable housing units in the bank's assessment areas. Of these units, 425 or 71 percent were rental units, and 174 or 29 percent were owner-occupied units. As previously noted, affordable housing was identified as the most critical credit need in the bank's assessment areas.

During the examination period, EAB received a grant from the U.S. Treasury Department in recognition of the bank's community development activity. On September 30, 1997, it was announced that the Treasury's Community Development Financial Institutions (CDFI) Fund awarded EAB a \$1.5 million grant under its Bank Enterprise Award (BEA) Program. The BEA Program provides incentives to insured depository institutions to increase their direct investment in CDFIs and to increase their lending, investment and financial services in the distressed communities they serve. Recipients of this award were selected on the basis of having financed projects critically needed in their communities. Award amounts are determined based on the increase in eligible activities between two designated six-month evaluation periods; in this case March 1, 1997, to August 31, 1997. Of the 55 awards granted nationally, EAB's was the third largest. Management has committed to reinvest the entire award in community development activity.

Most community development lending was concentrated in PMSA 5600 (New York, NY) where commitments totaled \$126 million or 83 percent of total activity. Commitments in PMSA 5380 (Nassau-Suffolk, NY) totaled \$26 million or 17 percent of total community development lending. Since Regulation BB does not require an institution to make community development loans in all its assessment areas, a lack of community development lending in a particular assessment area does not detract from the rating of the bank as a whole or its performance in a particular assessment area.

Innovative and Flexible Lending Practices

EAB made limited use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies. Throughout its assessment areas, the bank offers the following two flexible mortgage products (both of which are directed to LMI home buyers), and flexible small business loan products through the Small Business Administration ("SBA").

The Neighborhood Housing Program ("NHP")

The bank designed this product to assist LMI borrowers and borrowers who are financing homes in LMI geographies. The product may be used to purchase or refinance owner-occupied homes, condominiums or cooperatives. NHP features less stringent income and credit requirements, a discounted interest rate, no application fee, and 5 percent down payment with only 3 percent required from borrowers' funds. During the examination period, the NHP loan was the most successful of the bank's flexible products. In total, 448 such loans were originated totaling \$54 million.

New York State Mortgage Agency ("SONYMA")

SONYMA allows the bank to provide below market fixed-rate interest loans with reduced down payments to LMI borrowers. Down payment options range from 0 to 2 percent of the purchase price. During the examination period, EAB originated 58 SONYMA loans totaling \$6.1 million.

Small Business Loan Products

EAB participates in the SBA's 7 (a) and 504 Programs. With the use of these government loan guarantees, EAB can provide loans to businesses that would not otherwise qualify for conventional bank credit. During the examination period, EAB originated 23 SBA loans totaling \$12.7 million.

In PMSA 5600 (New York, NY) the bank offers two additional flexible small business credit products as discussed on page BB31.

INVESTMENT TEST

EAB had an excellent level of qualified investments and grants which exhibited strong responsiveness to credit and community development needs through complex investments in facilities and organizations supporting affordable housing, economic development and community services. Exhibits L and M provide details of the bank's investment activity.

Volume of Investments

EAB's level of qualified investments was strong, totaling \$10.4 million at this examination. All activity represented new investments since the previous examination. Total investments consisted of a \$5 million investment to capitalize the EAB Community Development Corporation (CDC), a subsidiary of the bank; \$4.8 million in investments and deposits made by the bank in various nonaffiliate qualified community development entities; and \$600 thousand in charitable grants and contributions made by the bank to organizations supporting community development projects and programs. Of the investments and grants to nonaffiliate organizations, \$5.2 million, or 96 percent, were made in PMSA 5600 (New York, NY). Since there is no requirement that qualified investments be made in all assessment areas, the lack of qualified investments in a specific assessment area does not detract from the bank's overall rating.

Responsiveness to Credit and Community Development Needs

EAB's investments demonstrate excellent responsiveness to the most pressing credit and community development needs in the assessment areas. Eighty-seven percent or \$4.7 million of investments and grants to nonaffiliated entities were directed to affordable housing development corporations and groups to assist in the development of specific projects or to provide capital, which can be leveraged to borrow additional funds in support of various community development initiatives. Affordable housing was identified as a primary credit need in the bank's assessment areas. In addition, \$300 thousand of the bank's economic development investments were deposited in three CDFIs allowing them to provide consumer and small business credit in primarily LMI communities.

Innovative and Complex Investment

The formation of EAB's wholly owned subsidiary CDC demonstrated an innovative and complex investment to support community development initiatives. The creation of the CDC required a substantial commitment of financial and specialized human resources. The bank's investment provides the CDC with a capital base for future community development investments, which it is actively seeking. At the bank's option, the capitalization of the CDC was considered at this examination.

SERVICE TEST

EAB's performance on the service test is high satisfactory. The bank's delivery systems were reasonably accessible to essentially all portions of its assessment areas, and the bank's record of opening and closing branches did not adversely affect the accessibility of its delivery systems. In addition, business hours were reasonable and did not vary in a way that inconveniences any segment of the community. EAB also provided a high level of community development services throughout its assessment areas.

Accessibility of Delivery Systems

EAB's delivery systems, including the branch network, automated teller machines (ATMs) and alternative delivery systems such as telephone access, banking by mail and computer banking, were reasonably accessible to essentially all portions of the bank's assessment areas. As of September 30, 1998, EAB operated 86 full-service branches of which 62 (or 72 percent) were located in PMSA 5380 (Nassau-Suffolk, NY). Twenty-four of the bank's branches (or 28 percent) were located in PMSA 5600 (New York, NY).

Branch locations were dispersed throughout the bank's assessment areas, but the distribution of branches between LMI and non-LMI census tracts did not adequately reflect the demographics of the assessment areas. While 14 of EAB's 86 branches, or 16 percent, were located in LMI census tracts, 31 percent of the assessment areas' census tracts are LMI and 34 percent of the population resides in LMI tracts. Branch distribution in LMI census tracts was most consistent with assessment area demographics in PMSA 5380 (Nassau-Suffolk, NY) where seven of the bank's branches, or 11 percent, were located in LMI census tracts, while 15 percent of census tracts are LMI. However, in PMSA 5600 (New York, NY), where the bank has seven of its branches (or 29 percent) located in LMI census tracts, 36 percent of the census tracts are designated LMI. In Bronx and upper New York Counties, large segments of LMI census tracts were not being served by the bank. Exhibit N provides details on the location of EAB branches.

In addition to the branch network, EAB employs several alternative delivery systems to enhance the distribution of its services throughout its assessment areas:

ATMs

During the examination period, the bank operated 92 bilingual 24-hour ATMs in its assessment areas, of which 81 were located at EAB offices and 11 were off-site in various schools, hospitals and supermarkets. All LMI branch locations were equipped with ATMs, and 5 of the 11 off-site ATMs were located in LMI geographies. EAB is a member of the nationwide PLUS, NYCE, HONOR and CIRRUS ATM networks. Exhibit N lists EAB's off-site ATM locations.

Telephone Banking

In May 1996, EAB introduced an automated telephone banking service called "AccessLine." The free service, available to all customers, operates 24 hours a day all week. AccessLine allows customers to review balances and verify deposits, withdrawals and checks paid. Customers are also able to make electronic transfers between EAB accounts, obtain information on loans, mortgages and current interest rates, and access investment product information. For a fee, AccessLine customers have the option of paying bills by telephone.

In addition, EAB operates a call center which allows customers to increase lines of credit on overdraft checking and credit cards. Representatives are available Monday through Friday from 8 a.m. to 9 p.m. The multilingual call center can translate conversations in eight languages.

Computer Banking

EAB's personal computer banking system, "PC Access," gives customers access to their bank accounts 24 hours a day all week. PC Access allows customers to review balances and recent transactions, make electronic transfers between EAB accounts, and schedule recurring, or make one-time, bill payments to any merchant or individual. In addition, customers are able to request statements and credit applications, order checks, export financial information to personal software packages, and obtain information about EAB products and services. There is a software fee for PC Access.

EAB maintains a site on the Internet which allows customers to download and print credit applications. Completed applications cannot be transmitted on the Internet, but the bank accepts completed applications via fax.

Community Loan Funds

EAB organized six revolving loan funds with community development organizations in the Bronx and Brooklyn enabling the organizations to make credit available to area small businesses that would not otherwise qualify for bank credit. The loan available under these programs provides for relaxed underwriting standards and reduced interest rates. Loan committees of the community development organizations approve all loans. EAB has one representative on each loan committee; otherwise, the committees are independent of the bank. Loans are funded and serviced by EAB on behalf of the organization. Participating community development organizations include the Bronx Overall Economic Development Corporation, Bronx Council for Economic Development, Hunts Point Local Development Corporation, East New York Development Corporation, East Fulton Street Revitalization and Development Corporation, and Northeast Brooklyn Community Capital Corporation

Changes in Branch Locations

EAB's record of opening and closing branches has not adversely affected the accessibility of its delivery systems. Since the previous examination, EAB opened two new branches inside department stores. Both locations are in the Suffolk County portion of PMSA 5380. During the same period, the bank closed and consolidated two branches; one in New York County (Manhattan) at Broadway and Canal Street, the second on Northern Boulevard in Long Island City, Queens. The Long Island City branch was located in a moderate-income census tract, while the Manhattan branch was in a middle-income census tract.

EAB's branch closing policy is adequate and conforms to the *Joint Interagency Policy Statement Regarding Branch Closings*. Branch closings were conducted in accordance with the bank's policy and the bank provided timely advance notification to affected customers and regulatory authorities. Based on the number and proximity of alternative financial institutions, including other EAB branch locations, it does not appear that customers, particularly those in LMI census tracts, were adversely impacted by the bank's closing activities.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

The bank's business hours are reasonable and do not vary in a way that inconveniences certain portions of its assessment areas, particularly LMI census tracts and individuals. The bank makes extended hours available at 85 percent of its branches. Hours range from 4 p.m. to 8 p.m. on Thursdays and Fridays and 9 a.m. to 1 p.m. on Saturdays. Sunday hours are available at the two in-store locations from 11 a.m. to 4 p.m.

EAB offers a the full range of deposit and credit services at all branches; however, the two in-store locations offer retail products only and do not provide business deposit or credit services.

Community Development Services

EAB's high level of community development services in its assessment areas includes seminars on homeownership and small business, newsletters, technical assistance to various community development organizations, and special affordable products.

Seminars

During the examination period, EAB sponsored or participated in 55 first-time home buyer seminars attracting approximately 3,000 people. Conducted in English and Spanish, the seminars provided information on affordable home mortgage products and the home buying process. Seminars were presented throughout the bank's assessment areas in conjunction with community groups such as the Long Island Housing Partnership, Neighborhood Housing Services, and the Community Development Corporation of Long Island. As a follow-up to participation in its home buyer seminars, EAB sends a quarterly newsletter, *Pathways to Home Ownership*, to all attendees and community development groups with which the bank has a relationship. The newsletter provides updates on affordable housing issues, opportunities and products, as well as information on homeowner issues such as maintenance and insurance. During the examination period, EAB mailed 13 thousand newsletters.

In addition, EAB participated in housing fairs such as those given by Housing Help, Inc. in Suffolk County, Neighbors Helping Neighbors in Brooklyn, and the Rockaway Development Corporation in Queens. The bank also sponsored homeownership workshops in conjunction with nonprofit community development organizations such as the United People's Choice Federal Credit Union in Queens and the Community Development Corporation of Long Island.

EAB conducted 53 credit, budgeting and financial management seminars, 9 of which were directed to small business owners. Several budgeting and planning seminars were conducted in conjunction with high schools and local colleges such as Long Island University and Hofstra University, where the seminars focused on financing college education. In addition, the bank held 126 credit open houses at various branches during the examination period. On these occasions, loan officers were available during regular business hours to provide information about EAB's various credit products, including mortgages and small business loans.

Technical Assistance

Bank management was proactive in providing technical assistance to support community development. Management and staff served as directors, advisors or committee members of 60 organizations throughout EAB's assessment areas. Some of the organizations include the Jamaica Housing Improvement Association, Neighborhood Housing Services, Hunts Point Business Outreach Center, Community Development Corporation of Long Island, Habitat for Humanity, and the Long Island Housing Partnership.

Federal Home Loan Bank of New York's ("FHLBNY") First Home Club

EAB is a member of the FHLBNY and an active participant in the First Home Club Program, part of the FHLBNY's Affordable Housing Program. The First Home Club was designed to assist very low-, low- and moderate-income first-time home buyers save for a down payment. FHLBNY provides assistance in the form of matching funds based on the home buyer's systematic savings in a dedicated savings account at a participating bank. For every \$1 deposited into the dedicated account under a systematic schedule of savings, the FHLBNY will match up to \$3, not to exceed \$5,000 in matching funds per household. Qualified participants must be first-time home buyers and have a household income of 80 percent or less of the HUD PMSA median income. Participants must complete a special home buyer counseling program presented by the bank in conjunction with a designated nonprofit community organization.

The First Home Club for the Cypress Hills Local Development Corporation had 35 enrollees at the time of this examination. During the examination period, six Cypress Hills participants completed the savings program and

purchased homes. EAB also established First Home Club programs in conjunction with the Neighborhood Housing Services of Jamaica and New York City, Long Island Housing Partnership, Asian Americans for Equality, Community Development Corporation of Long Island, and the North Amityville Tax Payer Association. As of the examination date, March 2, 1998, there were 20 active First Home Club participants from these organizations.

Products

Throughout its assessment areas, EAB offers senior citizens, minors and small businesses savings deposit products with no or low minimum balance requirements. The bank also offers checking products that are accessible to LMI customers, including the "NYS Basic Banking Account" which requires no minimum balance.

EAB also offers a secured credit card enabling borrowers who do not otherwise qualify an opportunity to establish retail credit.

COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS

No credit practices were identified that violated the substantive provisions of the antidiscriminations 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.

PRIMARY METROPOLITAN STATISTICAL AREA ANALYSES

PMSA 5380 (NASSAU-SUFFOLK, NY)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PMSA 5380 (NASSAU-SUFFOLK, NY)

EAB's overall performance in PMSA 5380 was good based on the following summary conclusions:

- The overall geographic distribution of loans across census tracts of different income levels was good; however, weakness was noted in the distribution of HMDA-related loans.
- There was a good distribution of loans among customers of different income levels and for businesses of different sizes was excellent.
- EAB's delivery systems were accessible to essentially all portions of the PMSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

EAB's business presence is concentrated in PMSA 5380. As of September 30, 1997, EAB maintained 62 full-service branches in PMSA 5380, 39 or 63 percent of which were located in Nassau County. The branches in this PMSA contained approximately \$4.3 billion in deposits, or about 59 percent of the bank's total branch deposits. Of the total deposits in the PMSA, 70 percent or \$3 billion, were at branches in Nassau County.

During the examination period, 1,827 HMDA-related home purchase loans and refinancings were originated in the PMSA, 66 percent of all such loans originated in the bank's assessment areas during the examination period. Small business loan originations in the PMSA totaled 3,217, or 65 percent of all small business loan originations for the examination period. Approximately 56 percent of HMDA-related activity and 60 percent of small business activity was found in the Nassau County portion of the PMSA.

DESCRIPTION OF THE ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor and HUD.

Performance Context

Demographic Characteristics

PMSA 5380, which includes Nassau and Suffolk Counties, has a population of approximately 2.6 million, which is about 15 percent of the population of New York State, and 27 percent of the bank's combined assessment area population. While the population is evenly divided between the two counties, Nassau County, which is about one-third the geographic size of Suffolk County, is the most densely populated.

Income Characteristics

The 1990 median family income in the PMSA is \$56,726, substantially higher than the New York State median family income of \$39,741 and the overall assessment area median family income of \$40,362. Higher income levels are found in Nassau County, where the median family income is \$60,813, compared with a median family income of \$53,380 in Suffolk County. In 1990, the percentage and number of families in the PMSA with low, moderate, middle and upper incomes consist of 16.4 percent or 112,975 low-income families, 19.3 percent or 132,975 moderate-income families, 26.3 percent or 181,551 middle-income families and 38 percent or 262,881 upper-income families. However, just 22 percent or 53,479 LMI families reside in LMI census tracts. The 1997 HUD adjusted median family income for PMSA 5380 is \$68,500.

Of the 574 census tracts used for the PMSA analysis, 84 or 15 percent are LMI tracts. About 74 percent of the LMI tracts are found in the Suffolk County portion of the PMSA, particularly in Babylon, Brookhaven, Islip, Riverhead and Southampton. The LMI census tracts in Nassau County are concentrated in the town of Hempstead.

Housing Characteristics

Of the 927,609 housing units in the PMSA, 687,506 or 74 percent, are owner-occupied, while 168,728 or 18 percent are rental units. Most of the housing units are single-family units, with only 8.5 percent or 78,542 units being multifamily structures of five or more units. According to the 1990 census, the median value of housing for the PMSA is \$186,209, and the median rent is \$778. Housing values are approximately 25 percent higher in Nassau County, where the median housing value in 1990 was \$208,514, compared with \$165,171 in Suffolk County.

Such high housing costs place a burden on LMI families who, according to community contacts made during the examination, need rental assistance, affordable housing options, and assistance with down payment and closing costs. In addition to affordable housing needs, contacts noted the need for small business financing, programs and services for senior citizens, and economic development financing to assist in the revitalization of local business districts.

Labor, Employment and Economic Characteristics

The dominant industries in the local economy are in the service and retail sectors. During the early 1990s, the manufacturing sector experienced major declines, primarily in the defense industry, causing a 21 percent decline in manufacturing employment from 1990-1994. The economy has rebounded, however, with the growth of biotechnology firms and small service and retail businesses, many of which are high technology employers such as subcontracting firms in the aviation and auto industries. Eastern Suffolk County continues to be known for its farming, fishing, wine and resort industries. Unemployment on Long Island has declined from 4.6 percent in March 1996 to 3.6 percent in November 1997.

Exhibit B provides a demographic summary of PMSA 5380.

LENDING TEST

Geographic Distribution of Lending

Overall, the geographic distribution of loans across census tracts of different income levels was good. For details, see Exhibits E and F.

HMDA-related Loans

In PMSA 5380 (Nassau-Suffolk, NY), EAB's record of providing home purchase loans and refinancings in LMI census tracts was adequate. The demand-adjusted ratio for HMDA-related loan originations was 1.7 times greater in non-LMI census tracts than in LMI census tracts. This performance reflects a downward trend since the previous examination when the bank originated 1.5 times more loans in non-LMI census tracts than in LMI tracts. As shown in Exhibit D, the decline in performance is the result of activity in the Nassau County portion of the PMSA where the bank originated 1.4 more HMDA-related loans in non-LMI census tracts than in LMI tracts. At the previous examination, demand-adjusted performance in Nassau County was reversed, with 1.6 times more loan originations in LMI census tracts than in non-LMI tracts. This change in performance occurred because the bank doubled the number of loan originations in the non-LMI census tracts of Nassau County during the examination period, while the number of originations in LMI census tracts remained at previous examination levels.

In Suffolk County, however, demand-adjusted performance improved since the previous examination. Loan volume in Suffolk County more than doubled since the previous examination, but the volume of lending in LMI census tracts almost tripled. As a result, demand-adjusted performance in Suffolk County improved since the previous examination from 2.4 to 1.6 times more HMDA-related originations in non-LMI census tracts. In PMSA 5380, Suffolk County provides the greatest opportunities for lending in LMI geographies. While there are 63 thousand owner-occupied housing units in the LMI census tracts of Suffolk County, only 18 thousand such units exist in Nassau County.

Small Business Loans

Small business demand-adjusted performance in PMSA 5380 (Nassau-Suffolk, NY) was good, with 1.5 times more loan originations in non-LMI census tracts than LMI census tracts. Performance was strongest in Nassau County where demand-adjusted lending was almost equivalent in LMI and non-LMI census tracts. In Suffolk County, however, there were 1.4 times more originations in non-LMI census tracts than LMI census tracts. Such performance in Suffolk County reflects a weakness in loan penetration of the LMI census tracts in the eastern portion of the county. EAB's branches in eastern Long Island are somewhat scattered, and the two new in-store branches opened there during the examination period provide only retail banking services. Branch presence is known to be an important element in establishing small business lending relationships.

Borrower Characteristics

The distribution of loans among customers of different income levels and businesses of different sizes was good. For details, see Exhibits G and H.

HMDA-related Loans

The distribution of HMDA-related loans among borrowers of different income levels was good given the high cost of housing in PMSA 5380 (Nassau-Suffolk, NY). Overall, 22.5 percent of loan originations in the PMSA were to LMI borrowers while LMI families total 34 percent of all families in the PMSA. This disparity occurs only in lending to low-income borrowers, which represents 5 percent of the bank's HMDA-related originations while 16

percent of families in the PMSA are low-income. The bank's record of lending to moderate-income borrowers in the PMSA was strong, however, with 18 percent of HMDA-related originations to such borrowers, and compared favorably with PMSA demographics which show that 19 percent of families are moderate-income. Performance was consistent in both Nassau and Suffolk Counties. Of total HMDA-related loan originations in Nassau and Suffolk Counties, 16 percent and 19 percent, respectively, were to moderate-income borrowers. This distribution compares favorably with the demographics in each county where, of all families in Nassau and Suffolk Counties, 18 percent and 21 percent, respectively, are considered moderate-income.

The low level of lending to low-income borrowers appears to be the result of the high housing costs in the PMSA, which generally preclude low-income borrowers from the housing market. According to the 1990 census, the median family income for the PMSA is \$56,726, while the median housing value is \$186,209. Given these demographics, low-income borrowers are generally unable to afford the purchase of a house.

A review of 1996 lending activity for the largest volume peer HMDA reporters, including financial and nonfinancial institutions in the PMSA, supports the contention that low-income borrowers are precluded from the mortgage market. The peer group originated only 3 percent of home purchase loans and refinancings to low-income borrowers. Also, in 1996, EAB's level of lending to LMI borrowers in PMSA 5380 was generally consistent with the performance of the peer group. While 16 percent of EAB's loans were to LMI borrowers, 18 percent of the peer's loans were to LMI borrowers. Information relative to 1997 performance is not yet available for other HMDA reporters.

Small Business Loans

EAB's record of lending to businesses of different sizes was excellent, with excellent performance in Nassau County. Of all small business loans originated in PMSA 5380, 78 percent were for loans of \$100 thousand or less. The average size of such loans was \$28,585, an amount that would typically meet the credit needs of smaller businesses. In Nassau County, where 60 percent of all small business loans in the PMSA were originated, 81 percent of loans were for \$100 thousand or less.

Of all small business loans in the PMSA, 44 percent of loans originated during the examination period were to businesses with GAR (gross annual revenues) of \$1 million or less. This performance appears to be consistent with other small business lenders in the assessment area. In 1996, EAB reported 39 percent of loans to businesses with GAR of \$1 million or less, while similarly situated financial institutions operating within the assessment area and reporting 10 or more small business loan originations, reported 48 percent of loans to such businesses. Information on the 1997 lending activities of other lenders was not available at the time of this examination.

Community Development Lending

EAB's community development activity in PMSA 5380 (Nassau-Suffolk, NY) totaled \$26 million, 98 percent of which was direct financing. Largely concentrated on affordable housing initiatives, lending totaled \$16.4 million or 63 percent of total PMSA lending and provided for the rehabilitation or construction of 198 affordable housing units, consisting of 169 rental units and 29 owner-occupied units. The largest project was a construction line of credit of \$12 million for the development of a 112-unit low-income rental apartment building in Nassau County. Community service lending in PMSA 5380 totaled \$8.3 million or 32 percent of total activity while loans promoting economic development totaled \$1.3 million or 5 percent of total lending. For details, see Exhibit J.

Innovative and Flexible Lending Practices

As described on page BB12, some innovative and flexible lending programs were available in both of the bank's assessment areas. There were no special innovative and flexible lending programs specific to this PMSA.

INVESTMENT TEST

The bank's performance under the investment test is described beginning on page BB12. The bank's CDC operates in both PMSA 5880 (Nassau-Suffolk, NY) and PMSA 5600 (New York, NY). Since there is no requirement that qualified investments be made in all assessment areas, a lack of qualified investments in a specific assessment area does not detract from the bank's overall rating.

SERVICE TEST

Accessibility of Delivery Systems

EAB's branch network was accessible to all portions of PMSA 5380. Of the 62 branch sites in the PMSA, 7 branches (or 11 percent) were located in LMI census tracts. This compares favorably with the demographics of the PMSA where 84 census tracts (or 15 percent) are LMI and 15 percent of the population resides in LMI tracts. Of the seven LMI branch locations, five were in Suffolk County, where 74 percent of LMI census tracts and 70 percent of the LMI population in the PMSA are located. EAB operated 65 bilingual ATMs in PMSA 5380, 7 of which were off-site at area schools and supermarkets. All LMI branch locations had ATMs, and three off-site ATMs were in LMI geographies.

Opening and Closing of Branches

During the examination period, no branches were closed and two new branches were opened in PMSA 5380 (Nassau-Suffolk, NY). Located inside department stores in Centereach and Middle Island, the new branches are in middle-income census tracts of Suffolk County.

Community Development Services

EAB strongly supported community development activities in this PMSA through seminars and technical assistance. During the examination period, the bank conducted 28 first-time home buyer seminars throughout Nassau and Suffolk Counties in conjunction with community organizations such as the Long Island Housing Partnership and the Community Development Corporation of Long Island. Also, the bank sponsored or participated in 11 credit workshops, seminars and housing fairs focusing on topics such as budgeting, homeownership financing, and college education financing. For example, EAB participated in the Long Island Housing Services Fair and programs at Long Island Lutheran High School, Adelphi University and Hempstead High School.

Bank management and staff provide technical assistance to 19 organizations in this PMSA such as the Interfaith Nutrition Network, an organization dedicated to feeding the hungry and providing temporary housing and shelter for abused women; Adelante of Suffolk, a group working for the advancement of Hispanics in housing and employment; and the Community Development Corporation of Long Island, an organization dedicated to affordable housing initiatives and small business lending.

PMSA 5600 (NEW YORK, NY)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PMSA 5600
(NEW YORK, NY)**

Overall performance in the assessment area portion of PMSA 5600 was good based on the following summary conclusions:

- The overall geographic distribution of loans was excellent across census tracts of different income levels.
- Distribution of loans among customers of different income levels and businesses of different sizes was good.
- EAB's delivery systems were reasonably accessible to most portions of the PMSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of September 30, 1997, EAB maintained 24 full-service branches in the assessment area portion of PMSA 5600, approximately 28 percent of the bank's total branch network. These branches contained \$3 billion in deposits, about 41 percent of total branch deposits. Of total branches and deposits in the PMSA, 54 percent of the branches and 76 percent of deposits are in New York County. Exhibit N provides a summary of the branch distribution among the four counties in the assessment area portion of the PMSA.

During the examination period, EAB originated 956 HMDA-related home purchase loans and refinancings in the assessment area portion of PMSA 5600, approximately 34 percent of all HMDA-related originations during the examination period. Small business loan originations totaled 1,705 or 35 percent of all small business loan originations during the examination period.

DESCRIPTION OF THE ASSESSMENT AREA

Performance Context

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor and HUD.

Demographic Characteristics

EAB's assessment area portion of PMSA 5600 includes Bronx, Kings, New York, and Queens Counties, four of the eight counties in the PMSA. Total population in the assessment area is approximately 6.9 million; about 81 percent of the total population of PMSA 5600, and 72 percent of the bank's overall assessment area population. The most populous county is Kings (Brooklyn), with a population of 2.3 million, followed by Queens, New York (Manhattan) and Bronx Counties with populations of 2 million, 1.5 million and 1.2 million, respectively.

Income Characteristics

In 1990, the median family income in the assessment area was \$33,247, which is lower than the PMSA median family income of \$37,515 and the overall assessment area median family income of \$40,362. Queens County has

the highest median family income at \$40,426, while the median family income in New York, Kings and Bronx Counties is \$36,831, \$30,033 and \$25,479, respectively. In 1990, the percentage and number of families in the assessment area with low, moderate, middle, and upper incomes consist of 28.6 percent or 473,823 low-income families, 16.6 percent or 274,628 moderate-income families, 18.7 percent or 310,286 middle-income families, and 36.1 percent or 597,517 upper-income families. The 1997 HUD adjusted median family income for PMSA 5600 is \$47,300.

Of the 2,062 census tracts used for analysis, almost half are in Bronx and Kings Counties. Of the total tracts, 735 or 36 percent are LMI. Most of the LMI tracts, 323 or 44 percent, are in Kings County, while 26 percent or 192 are in the Bronx, 124 or 17 percent are in New York County and 13 percent or 95 in Queens County. Approximately 59 percent of the 772,172 LMI families reside in LMI census tracts.

Housing Characteristics

There are approximately 2.9 million housing units in the assessment area, but only 25 percent or 725,763 units are owner-occupied. Rental units make up 69 percent of housing units overall; however, in the Bronx, New York and Kings Counties, rental units include 79 percent, 75 percent and 70 percent, respectively, of housing units. In Queens County, rental units consist of only 55 percent of housing stock. Of all housing units in the assessment area, approximately 66 percent or 1.9 million units are multifamily structures with five or more units. This is most pronounced in New York and Bronx Counties, where 96 percent and 75 percent, respectively, of housing units are multifamily.

In 1990, the median housing value in the assessment area was \$188,935, while the median gross rent was \$494. In New York County, the median housing value of \$471,074 far exceeds the assessment area median. A comparison of housing costs with median income, particularly in New York County, shows that affordable owner-occupied housing is beyond the reach of LMI families in the assessment area, indicating a demand for affordable rental housing units. This need was confirmed at community contacts made during the examination. Other assessment area credit needs identified by community contacts were affordable owner-occupied housing units, loans for the rehabilitation of existing housing stock, and small business loans to encourage new jobs.

Labor, Employment and Economic Characteristics

The local economy is steadily recovering from the sharp economic downturn of 1989-1992. Strong job growth is found in the service and retail trade sectors, while job losses continue in manufacturing and some government sectors. A resurgence of tourism in New York City and a strong financial industry have contributed to the retail and service sector growth. Despite the increase in job opportunities, however, New York City continues to have a comparatively high unemployment rate. 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. Local economists attribute this differential to an increase in the number of persons in the local labor force believed to be caused, in part, by a change in the eligibility standards for public assistance benefits and to the skill level of the labor force.

Exhibit C provides a demographic summary of the PMSA 5600 assessment area.

LENDING TEST

Geographic Distribution of Lending

Overall, the geographic distribution of loans in PMSA 5600 (New York, NY) was excellent. For details, see Exhibits E and F.

HMDA-related Loans

As shown in Exhibit E, overall demand-adjusted home mortgage loan and refinancing activity was good in PMSA 5600. For the assessment area portion of the PMSA, performance in LMI and non-LMI census tracts was equivalent. Performance in Bronx and Queens Counties was strong, with lending in LMI census tracts exceeding that in non-LMI tracts. Performance in Kings County was acceptable, but the number of loans originated in LMI tracts declined significantly because fewer large EAB-financed owner-occupied affordable housing community development projects are being completed. At the prior examination, loan originations associated with such activity accounted for a large part of LMI originations in Kings County. The decline in lending volume in Kings County was reflected in the overall 46 percent decline in HMDA-related originations in the PMSA since the previous examination. In New York County, weak demand-adjusted performance was noted; however, it is considered acceptable given EAB's competition with large national lenders in a market where lending opportunities in LMI census tracts far exceed those in non-LMI tracts.

HMDA-related performance in the LMI geographies of PMSA 5600 was enhanced by multifamily HMDA reportable lending. EAB originated seven multifamily loans in the LMI geographies of the PMSA, representing 323 rental housing units. Of the total number of housing units, 158 were in Queens County, 67 in Kings County, 55 in New York County, and 43 in Bronx County. Community contacts made during this examination noted the pressing need for rental housing in the LMI geographies of the PMSA. In the assessment area portion of the PMSA, 73 percent of housing units are renter-occupied.

Small Business Loans

Demand-adjusted small business lending performance was good in this PMSA. The bank's level of demand-adjusted small business lending was 1.2 times higher in non-LMI census tracts than in LMI census tracts. As shown in Exhibit F, performance was strongest in Kings County where demand-adjusted lending was greater in LMI census tracts than non-LMI tracts. Demand-adjusted performance in Bronx County was the weakest, with 1.4 more loan originations in non-LMI census tracts. Such performance in Bronx County reflects the low level of penetration in the LMI tracts throughout that county, but is consistent with the bank's branch presence in the county. EAB has only two branches in Bronx County, neither of which is located in an LMI census tract.

Borrower Characteristics

There was a good overall distribution of loans among customers of different income levels and businesses of different sizes. For details, see Exhibits G and H.

HMDA-related Loans

The distribution of HMDA-related loans among borrowers of different income levels was acceptable given the high cost of housing in PMSA 5600 (New York, NY). As shown in Exhibit G, 11 percent of loan originations were to LMI borrowers while LMI families account for 40 percent of all families in the PMSA. This type of disparity occurs only in lending to low-income borrowers, which represents about 1 percent of the bank's HMDA-related originations while 25 percent of families in the assessment area portion of the PMSA are low-income. The bank's record of lending to moderate-income borrowers was acceptable, however. Of total HMDA-related loans originated in the assessment area portion of PMSA 5600, 10 percent were to moderate-income borrowers. This compares

favorably with the level of moderate-income families, which include 15 percent of all families in the assessment area portion of the PMSA. A strong distribution of lending to moderate-income borrowers occurred in Queens and Bronx Counties, but weaker performance was noted in New York and Kings Counties.

The level of lending to low-income borrowers is a result of the area's high housing costs which generally preclude low-income borrowers from the housing market. According to the 1990 census, the median family income for the PMSA is \$33,247 while the median housing value is \$188,935. Given these demographics, low-income borrowers are unable to afford the purchase of a house.

A review of 1996 lending activity of the 12 largest volume HMDA reporters, including financial and nonfinancial institutions in the PMSA, supports the contention that low-income borrowers are precluded from the mortgage market. The above reporters originated only 1 percent of home purchase loans and refinancings to low-income borrowers. In 1996, EAB's level of lending to LMI borrowers in the assessment area portion of PMSA 5600 was generally consistent with that performance. While 6 percent of EAB's loans were to LMI borrowers, 8 percent of the peer group's loans were to LMI borrowers. Information relative to 1997 performance of other HMDA reporters was not available at the time of this examination.

Small Business Loans

The bank's record of lending to businesses of different sizes was good. Of all small business loans originated in PMSA 5600, 61 percent were for loans of \$100 thousand or less. The average size for such loans was \$34,341, an amount which would typically meet the credit needs of smaller businesses. Although this performance is inconsistent when compared with the bank's performance in the overall assessment area, it is generally consistent with the activity of other small business lenders in the assessment area. In 1996, EAB reported 61 percent of loan originations for amounts of \$100 thousand or less, while similarly situated financial institutions operating within the assessment area and originating 10 or more small business loans reported 74 percent of such loans. Information relative to the 1997 lending activities of similarly situated lenders was not available at the time of this examination.

PMSA performance was exceeded in Bronx and Queens Counties where 72 percent of total originations in each county were for loan amounts of \$100 thousand or less. Weaker performance that was inconsistent with the performance of similarly situated lenders was noted in Kings County, however. For the examination period, only 50 percent of small business loan originations in Kings County were for \$100 thousand or less. In 1996, EAB reported 48 percent of small business loan originations in Kings County for amounts of \$100 thousand or less, while the similarly situated lenders reported 79 percent.

Of all small business loan originations in the PMSA, 34 percent were to businesses with GAR of \$1 million or less. This performance appears to be consistent with other small business lenders in the assessment area. In 1996, EAB reported 28 percent of loans to businesses with GAR of \$1 million or less while, as a group, similarly situated financial institutions operating within the assessment area and reporting 10 or more small business loan originations, reported 36 percent of loans to such businesses.

Community Development Lending

Total community development lending activity in the PMSA equaled \$125.7 million, 70 percent of which represented direct lending. Economic development financing accounts for the largest concentration of community development activity, totaling \$72.9 million or 58 percent of all PMSA activity. Affordable housing lending, which accounts for \$36.4 million or 29 percent of total PMSA activity, resulted in the construction or rehabilitation of 628 affordable housing units throughout the assessment area portion of the PMSA. Of these units, 413 or 66 percent were rental units and 215 or 34 percent were owner-occupied units. The largest project

financed was a \$12 million line of credit for the rehabilitation of four buildings consisting of 149 rental units located in the Bronx. Community service lending in PMSA 5600 totaled \$16.3 million or 13 percent of total PMSA activity. For details see Exhibit K.

Innovative and Flexible Lending Practices

As discussed on page BB12, the bank had some innovative and flexible lending products available throughout its assessment areas. In addition, the following products were available in the New York City PMSA:

New York City Small Business Capital Access Fund

Formally known as the New York State Small Business Reserve Fund, this loan fund at the New York City Economic Development Corporation allows participating lenders such as EAB to originate loans to small businesses and nonprofit organizations for several purposes including property acquisition, inventory and capital. The reserve fund allows the bank to provide credit to small businesses that would not otherwise qualify for a conventional EAB small business loan. Capital Access Fund loans accounted for 22 loan originations totaling \$1.6 million during the examination period.

Community Loan Fund

In conjunction with six community organizations in New York City, EAB offers small business loans in LMI areas that provide flexible underwriting guidelines and reduced interest rates. Designed to accommodate businesses not ordinarily served by other subsidized loan programs or conventional bank loans, loans range from \$2 thousand to \$20 thousand. For additional details, see "Accessibility of Delivery Systems" in the Service Test section beginning on page BB13. Loan originations under the Community Loan Fund have met with limited success. During the examination period, seven loans were originated for a total of \$87 thousand.

INVESTMENT TEST

The bank's performance under the investment test is described on page BB12. The bank's CDC operates in both PMSA 5600 (New York, NY) and PMSA 5380 (Nassau-Suffolk, NY). Of investments and grants outside the CDC, \$5.2 million benefited PMSA 5600.

SERVICE TEST

Accessibility of Delivery Systems

The bank's delivery systems were reasonably accessible to most portions of the PMSA. EAB's branch network was limited in PMSA 5600 (New York, NY) and the distribution of branches in LMI census tracts does not fully reflect the demographics of the assessment area portion of the PMSA. As of the examination date, March 2, 1998, EAB operated 24 branches in the assessment area portion of the PMSA, most of which were located in New York County. Of the 24 branches, 7 (or 29 percent) were located in LMI census tracts; however, 735 census tracts (36 percent of the census tracts) are LMI and 41 percent of the population resides in LMI tracts. This weakness is most pronounced in Bronx County where neither of the bank's two branches are located in LMI census tracts. Of the census tracts in Bronx County, 56 percent are LMI and 67 percent of the population resides in LMI tracts. Also, in northern New York County where 69 percent of the county's 124 LMI census tracts are located, EAB has no branches. Management is aware of the weakness in the Bronx and, in 1996, broke ground for a new EAB branch in an LMI census tract of the South Bronx. At the time of this examination, construction problems delayed the project, which had no scheduled completion date.

EAB operated 26 ATMs in PMSA 5600 (New York, NY), four of which were off-site at various schools and hospitals. All LMI branch locations had ATMs, and two of the off-site ATMs were located in LMI census tracts.

Opening and Closing of Branches

During the examination period, EAB opened no new branches in the PMSA but closed one branch in New York County and one in Queens County. The New York County branch was located in a middle-income census tract at Broadway and Canal Streets. The Queens location, on Northern Boulevard in Long Island City, was in a moderate-income census tract. The deposits of both branches were consolidated into other nearby EAB branch locations. Based on the proximity of alternative banking facilities, the branch closings do not appear to have had a significant negative impact on the accessibility of the bank's services.

Community Development Services

EAB provided a significant level of support for community development activities in PMSA 5600 (New York, NY). The bank conducted 27 first-time home buyer seminars throughout the assessment area portion of this PMSA. Programs were held in conjunction with local groups and community organizations such as the Brooklyn Borough President's Office, the Hotel, Motel and Club Workers of New York, the Cypress Hills Local Development Corporation and Neighborhood Housing Services. In addition, the bank sponsored or participated in 42 seminars, workshops and fairs covering a range of financial topics. For example, workshops focusing on student budgeting and college financing were held at the local campuses of Long Island University, and seven seminars on making and keeping small businesses profitable were conducted with the Urban Assistance Corporation, a business association of graduate students at New York University. The small business seminars were targeted to entrepreneurs in the South Bronx and Washington Heights areas of New York City. The bank also participated in housing fairs and home buying workshops sponsored by the Abyssinian and Harlem Development Corps and the Cypress Hills Local Development Corporation.

EAB management and staff provided technical assistance to 41 organizations in this PMSA, such as Neighborhood Housing Services, the Jamaica Housing Improvement Association, the Hunts Point Business Outreach Center, and Brooklyn Goes Global, an organization that promotes economic development by providing small business loans to companies in LMI area. Other organizations that receive technical assistance include Cypress Hills Local Development Corporation, Bronx Initiative Corporation, and the Roberto Clemente Credit Union.

EXHIBITS

EXHIBIT A

Demographic Summary of Assessment Areas					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	324	496	1,139	677	2,636
% of Tracts for Analysis	12.3%	18.8%	43.2%	25.7%	100%
Total Population	1,249,718	2,002,452	4,068,583	2,232,046	9,552,799
% of Total Population	13.1%	20.9%	42.6%	23.4%	100%
Families Residing In	278,344	476,889	1,045,879	545,543	2,346,655
% of Families Residing In	11.9%	20.3%	44.6%	23.2%	100%
Owner-occupied Housing Units	20,968	161,570	755,250	475,481	1,413,269
% of Owner-occupied Units	1.5%	11.4%	53.4%	33.6%	100%
Rental-occupied Housing Units	366,382	546,354	724,013	495,098	2,131,847
% of Rental-occupied Units	17.2%	25.6%	34.0%	23.2%	100%
Total Business Establishments	35,586	68,968	142,290	150,182	397,026
% of Business Establishments	9.0%	17.4%	35.8%	37.8%	100%

* Sixty-one low-income census tracts contain no housing or population and were not used in the analysis.

EXHIBIT B

PMSA 5380 (NASSAU-SUFFOLK, NY) Demographic Summary					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	5	79	385	105	574
% of Tracts for Analysis	<1%	13.8%	67.1%	18.3%	100%
Total Population	17,845	380,253	1,760,243	450,871	2,609,212
% of Total Population	<1%	14.6%	67.5%	17.3%	100%
Families Residing In	501	93,426	470,002	126,472	690,401
% of Families Residing In	<1%	13.5%	68.1%	18.3%	100%
Owner-occupied Housing Units	298	81,167	472,543	133,498	687,506
% of Owner-occupied Units	<1%	11.8%	68.7%	19.4%	100%
Rental-occupied Housing Units	413	45,200	107,037	16,078	168,728
% of Rental-occupied Units	<1%	26.8%	63.4%	9.5%	100%
Total Business Establishments	438	17,947	75,514	23,279	117,178
% of Business Establishments	<1%	15.3%	64.4%	19.9%	100%

* Eight low-income census tracts contain no housing or population and were not used in the analysis.

EXHIBIT C

PMSA 5600 (NEW YORK, NY) Demographic Summary					
	Census Tracts by Income Level				Total
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis*	319	417	754	572	2,062
% of Tracts for Analysis	15.5%	20.2%	36.6%	27.7%	100%
Total Population	1,231,873	1,622,199	2,308,340	1,781,175	6,943,587
% of Total Population	17.7%	23.4%	33.2%	25.7%	100%
Families Residing In	277,843	383,463	575,877	419,071	1,656,254
% of Families Residing In	16.8%	23.2%	34.8%	25.3%	100%
Owner-occupied Housing Units	20,670	80,403	282,707	341,983	725,763
% of Owner-occupied Units	2.9%	11.1%	39.0%	47.1%	100%
Rental-occupied Housing Units	365,969	501,154	616,976	479,020	1,963,119
% of Rental-occupied Units	18.6%	25.5%	31.4%	24.4%	100%
Total Business Establishments	35,148	51,021	66,776	126,903	279,848
% of Business Establishments	12.6%	18.2%	23.9%	45.4	100%

* Fifty-three low-income census tracts contain no housing or population and were not used in the analysis.

EXHIBIT D

Total Loan Originations

January 1, 1996 - September 30, 1997

Loan Type	Number Total	% of	\$ ('000s) Total	% of
HMDA Home Purchase	2,667	30.0	\$496,149	35.0
HMDA Refinance	1,180	13.0	183,151	13.0
HMDA Home Improvement	72	0.8	337	--
HMDA Multifamily	12	0.1	21,071	2.0
TOTAL HMDA	3,931	44.0	\$700,708	50.0
TOTAL SMALL BUSINESS	4,959	56.0	\$697,077	50.0
TOTAL LOANS	8,890	100.0	\$1,397,785	100.0

Lending Inside and Outside the Assessment Area

January 1, 1996 - September 30, 1997

(\$ Amounts in '000s)	HMDA	Small Business	Total
In Assessment Area			
Number	2,865	4,922	7,787
% of Total	73%	99%	88%
\$ Amount	\$499,986	\$691,024	\$1,191,010
% of Total	71%	99%	85%
Out of Assessment Area			
Number	1,066	37	1,103
% of Total	27%	1%	12%
\$ Amount	\$200,722	\$6,053	\$206,775
% of Total	29%	1%	15%
Totals			
Number of Loans	3,931	4,959	8,890
\$ Amount of Loans	\$700,708	\$697,077	\$1,397,785

EXHIBIT N

Branches by County/PMSA As of September 30, 1997			
County/PMSA	# of Branches	# in LMI Tracts	% in LMI Tracts
Nassau	39	2	5
Suffolk	23	5	22
PMSA 5380 Total	62	7	11
New York	13	4	31
Queens	6	2	33
Kings	3	1	33
Bronx	2	0	0
PMSA 5600 Total	24	7	29
TOTALS	86	14	16

Off-site ATMs by County/PMSA As of September 30, 1997			
County/PMSA	# of ATM's	# in LMI Tracts	% in LMI Tracts
Nassau	5	1	20
Suffolk	2	0	0
PMSA 5380 Total	7	1	14
New York	0	0	0
Queens	2	1	50
Kings	2	1	50
Bronx	0	0	0
PMSA 5600 Total	4	2	50
TOTALS	11	3	27

CRA APPENDICES

CRA APPENDIX A

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		1/1/96 to 9/30/97	
FINANCIAL INSTITUTION			
European American Bank 1 EAB Plaza Uniondale, NY			PRODUCTS REVIEWED <ul style="list-style-type: none"> • Residential Mortgage Loans • Small Business Loans • Community Development Loans • Qualified Investments
AFFILIATE(S)			
AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED	
EAB Mortgage Company	Bank subsidiary		Mortgage loans
EAB Community Development Corporation	Bank subsidiary		Investments
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
PMSA 5380 (Nassau-Suffolk, NY)	On-site		
PMSA 5600 (New York, NY)	On-site		

CRA APPENDIX B

GLOSSARY

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.

CDC: Community development corporation.

CDFI: Community development financial institution.

COMMUNITY DEVELOPMENT: (1) Affordable housing including multifamily rental housing for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of 13 CFR 121.802 (a)(2) or have gross annual revenues of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income geographies.

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.

EAB: European American Bank.

GAR: Gross annual revenues.

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: Home Mortgage Disclosure Act.

HMDA-RELATED LOANS: Mortgage purchase and refinance loans as well as home improvement and multifamily loans reported as required by the Home Mortgage Disclosure Act.

HUD: United States Department of Housing and Urban Development.

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

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.

QUALIFIED INVESTMENT: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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.