

# **PUBLIC DISCLOSURE**

**April 3, 2000**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**United States Trust Company Of New York  
RSSD ID 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.

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## 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 **United States Trust Company of New York** prepared by the **Federal Reserve Bank of New York** on behalf of the Board of Governors of the Federal Reserve System, the institution’s supervisory agency, as of **April 3, 2000**. 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:** United States Trust Company of New York ("U.S. Trust") is rated **"OUTSTANDING."**

U.S. Trust's level of compliance with the CRA is based on the performance criteria specified under the CRA with respect to the community development test for wholesale institutions.

The bank's performance under the community development test is based on the following findings:

- U.S. Trust exhibited high levels of community development loans, qualified investments and community development services.
- The bank made occasional use of innovative or complex community development lending, qualified investment, and services to address community development needs.
- The bank exhibited excellent responsiveness to credit and community development needs in its assessment areas.

## DESCRIPTION OF INSTITUTION

Headquartered in New York, New York, U.S. Trust is a state-chartered banking corporation and a member of the Federal Reserve System. It is the principal subsidiary of the U.S. Trust Corporation, a bank holding company also based in New York City. The corporation's assets totaled \$4.9 billion as of March 31, 2000. The corporation's subsidiary banks and savings association conduct primarily trust activities, and are located in California, Connecticut, Florida, New Jersey, Oregon, Pennsylvania, and Texas, as well as in New York. U.S. Trust Corporation is the wholly owned subsidiary of the Charles Schwab Corporation ("Schwab").

The application of Schwab to become a bank holding company and acquire the U.S. Trust Corporation, and its bank and nonbank subsidiaries, including U.S. Trust was approved by the Board of Governors of the Federal Reserve on May 1, 2000. Schwab, with total assets of \$33.7 billion as of March 31, 2000, is a securities firm engaged principally in the business of providing securities brokerage services to individuals and institutions. Schwab's election to also become a financial holding company became effective upon consummation of the acquisition of U.S. Trust Corporation.

U.S. Trust is a wholesale banking institution providing investment management, private banking and fiduciary services to high net worth individuals and institutions throughout the New York area. Its assets as of March 31, 2000 totaled \$3.8 billion, with net loans and leases of \$2.6 billion, and total deposits of \$2.9 billion. The bank does not extend home mortgage, small business or consumer credit to retail customers or the general public at large. The bank,

however, originates loans as an accommodation to its private banking clientele. Accordingly, the Board of Governors designated U.S. Trust as a wholesale bank on October 30, 1996. The designation was reaffirmed in May 1998 and is again affirmed at this examination.

As of April 3, 2000, the bank operated six branches, four of which are located in Manhattan. There is one branch in Garden City, New York, in Nassau County, and as of March 17, 2000, one branch in Jersey City, New Jersey, in Hudson County. The branches do not accept loan applications or provide ATM services.

U.S. Trust's previous examination for compliance with CRA was conducted as of May 26, 1998. The bank received an overall rating of "satisfactory." There are no financial or legal factors that would keep the bank from fulfilling its responsibilities under the CRA.

### **DESCRIPTION OF ASSESSMENT AREA**

The bank has designated as its assessment areas a portion of Primary Metropolitan Statistical Area ("PMSA") 5600 (New York, NY), the Nassau County portion of PMSA 5380 (Nassau-Suffolk, NY) and, as recently as March 17, 2000, PMSA 3640 (Jersey City, NJ). The assessment area includes all of the counties and boroughs of New York City: Bronx, Kings (Brooklyn), New York (Manhattan), Richmond (Staten Island) and Queens as well as Nassau County.

In New Jersey the bank delineates PMSA 3640 (Jersey City, NJ), which includes all of Hudson County. The New Jersey assessment area was added too recently to be relevant to this examination. U.S. Trust's assessment areas are in compliance with the requirements of Section 228.41 of Regulation BB.

The following map illustrates U.S. Trust's assessment areas:

**MAP**

**Of U.S. Trust**

**assessment area**

**here**

## PERFORMANCE CONTEXT

The demographic and economic information used to describe U.S. Trust's assessment areas and evaluate the performance context within which the bank operates was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor, and the U.S. Department of Housing and Urban Development ("HUD").

### Demographic Characteristics

The total population in the New York State assessment areas is approximately 8.6 million and includes about 48 percent of the state's population. Eighty-five percent of that population resides in the part of PMSA 5600 (New York, NY) encompassing New York City. As discussed earlier, the New Jersey portion of the assessment area was added too recently to be relevant to this examination.

### Income Characteristics

The HUD-adjusted median family income for the combined New York assessment area averaged \$63,350 in 1999. This reflects a median family income of \$53,400 for New York City and \$73,300 for the Nassau-Suffolk area. These figures show increases from the 1990 Census when the assessment area median income was \$38,306. In 1990, Richmond County had the highest median family income at \$50,734, while Bronx County had the lowest median income level at \$25,479. In 1990, 884,137 of all low- and moderate-income ("LMI") families (or 42 percent) resided in the New York assessment areas. Of the LMI geographies, 755 or 93 percent are located in the PMSA 5600 (New York, NY) portion of the assessment area. Most of the LMI tracts are located in Bronx and Kings Counties.

### Housing Characteristics

Overall, the New York assessment areas have approximately 3.4 million housing units, of which 1.1 million or 32 percent are owner-occupied. Of all housing units in the PMSA 5380 (Nassau-Suffolk, NY) portion of the assessment area, the level of owner-occupancy is high at 78 percent compared with the state owner-occupancy rate of 48 percent. In contrast, the level of owner-occupancy in the PMSA 5600 (New York, NY) portion of the assessment area is only 35 percent. Most of the housing units in Nassau County are single-family units, whereas multifamily structures of five units or more predominate in the New York City portion of the assessment area. Housing costs in both PMSAs are very high in relation to the median family incomes, indicating a demand for affordable units, especially in the rental category. Community contacts made during the examination period confirmed these needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

*The Community Development Test is rated: OUTSTANDING.*

### VOLUME OF ACTIVITY

The bank provided an excellent level of community development loans, qualified investments and community development services that help meet credit and community development needs. All calculations have been rounded to the nearest whole number.

#### **Community Development Lending**

U.S. Trust's community development lending performance was excellent. During the examination period, community development commitments totaled \$5.5 million, of which \$3.5 million or 64 percent represented new commitments originated since the previous examination. Total commitments at this examination decreased slightly since the previous examination. Most of the community development lending activity was concentrated in New York City where commitments totaled \$4 million or 73 percent of total activity. The bank also made \$1 million in community development loans that benefited two organizations that provide statewide affordable housing and economic development services. Since this activity more than adequately addressed community development needs in the bank's assessment areas, favorable consideration was also given to a \$387 thousand loan made to a social service agency that operates nationwide. There was no community development lending in Nassau County where the bank has one office.

Consistent with its wholesale bank operations, \$2.9 million or 53 percent of the bank's lending activity was made on an indirect basis, primarily to intermediaries supporting affordable housing and economic development. Direct lending activities accounted for \$2.6 million or 47 percent of total commitments. Total commitments included \$1 million in a line of credit and \$1.6 million in a standby letter of credit. For details, see Exhibit 1.

#### **Qualified Investments**

U.S. Trust achieved a high level of qualified investments. The bank exhibited excellent responsiveness to the credit and community development needs of its assessment areas through investments in facilities and organizations that support community services, affordable housing, revitalization and stabilization, and economic development. The bank increased its investments five-fold since the last examination. Most of these investments were in either mortgage-backed securities or directed to financial intermediaries involved in community development in the bank's assessment areas.



U.S. Trust's qualified investments and grants totaled \$15 million and include \$11.8 million or 79 percent in new investments and grants since the previous examination. Total investments consisted of investments and deposits in various qualified community development entities (including purchases of mortgage-backed securities) and \$605 thousand in charitable grants and contributions to organizations that support community development projects and programs for LMI persons and areas. Of the total investments, \$10.8 million or 72 percent was concentrated in mortgage-backed securities.

Of total investments and grants \$7.9 million or 53 percent was concentrated in New York City, \$4.3 million or 28 percent was in Nassau County and \$2.8 million or 19 percent was to statewide organizations that included the bank's assessment areas.

Exhibit 2 for details of the bank's qualified investments.

**Community Development Services**

U.S. Trust provided an excellent level of community development services in the form of technical assistance and investment advisory services in its assessment areas. While a significant portion of the bank's financial and managerial expertise assisted organizations supporting community services for LMI individuals, the bank's technical assistance also helped organizations supporting other categories of community development, as shown in the table below.

<b>Community Development Services</b>	
<b>Category</b>	<b>Number of Activities</b>
<b>Community Services</b> targeted to LMI individuals	33
<b>Affordable Housing</b> for LMI individuals and areas	4
Activities that promote <b>Economic Development</b>	4
Activities that <b>Revitalize or Stabilize</b> LMI geographies	4
<b>TOTAL</b>	<b>45</b>

**Services Targeted to LMI Individuals**

Most of the bank's 33 community development service activities for LMI individuals involved fundraising, financial advice and trustee activities for organizations such as the Brooklyn Legal Services Corporation A, the Children's Health Fund, the Network for Women's Services and the Vocational Foundation Fund. The organizations provide support services for children and seniors with disabilities, mentoring programs for at-risk children of single-parent families, employment training for residents of Central Harlem and the South Bronx, health care for disadvantaged and homeless children, and job training for LMI individuals.

The director of the bank's medical department offers financial expertise in managed care, budgeting and preparation of federal and state grant applications for Mercy Haven, Inc. This organization operates residences on Long Island for mentally ill, formerly homeless residents and AIDS patients. Approximately 40 residents benefit from Mercy Haven's housing and support services.

### **Mentoring Program**

U.S. Trust participates in a work-study program that provides 17 high school seniors from LMI families in New York City and Jersey City, New Jersey, with job training and education in banking operations. The program places students in the bank as permanent employees. Participating high schools include Jamaica High School, Roosevelt High School, Cleveland High School, JFK High School, all in New York City and Ferris High School in Jersey City.

### **Investment Advisory Services**

The bank provides asset management services to a nonprofit organization serving the needs of LMI persons in New York County, thus helping to create an asset base that provides a continuing income stream. Discounts on asset management services are provided to nonprofit organizations that conduct business with the bank.

### **In-kind Donations**

U.S. Trust donated more than 200 computers, printers, and modems to schools in LMI areas of New York City and to a Bronx nonprofit group that provides computer repair skills and technician training for over 100 economically disadvantaged young adults. The bank also provided meeting space for 59 CRA-related conferences, fundraisers, and meetings for 29 nonprofit community organizations. In addition to the use of the space, the bank also provided free food service.

### **Affordable Housing for LMI Individuals**

An officer of the bank serves on the advisory board of the Bridge Fund of New York, a program providing emergency loans and financial counseling to tenants facing eviction. The officer provides financial planning and fundraising services to the organization, which also receives free account services from the bank.

U.S. Trust's human resources manager reviews competitive compensation packages and salary surveys in order to assist the Neighborhood Housing Services of New York in managing its payroll and in retaining its staff. This expertise was of particular benefit to the nonprofit organization given its high personnel turnover. In addition, a credit officer serves on the organization's fundraising campaign committee.

### **Activities That Promote Economic Development**

The bank's CRA officer serves on the Board of Managers of the New York Community Investment Corporation ("NYCIC"). The NYCIC provides debt and equity financing for small businesses that do not qualify for traditional bank loans because of insufficient equity or operating histories.

A U.S. Trust credit officer continues as a member of the credit committee of the Regional Economic Development Assistance Corporation ("REDAC"). REDAC is a nonprofit organization that supports small businesses in New York City with a mini-loan program.

### **Activities That Revitalize or Stabilize LMI Geographies**

The head of U.S. Trust's CRA Committee serves on the Grants Committee of the Strategic Alliance Fund, an organization assisting various New York City support service agencies to cope with government funding cuts. The bank officer provides expertise in the grant-making process.

### **INNOVATIVE OR COMPLEX ACTIVITY**

U.S. Trust made occasional use of innovative or complex community development loans, qualified investments and services.

### **Community Development Lending**

U.S. Trust structured a revolving credit agreement for the Community Preservation Corporation, which specializes in construction and rehabilitation for financing multifamily housing throughout New York State.

### **Qualified Investments**

Approximately \$2 million or 13 percent of total investments were tax credits, considered complex because they require a substantial amount of time and expertise related to accounting issues. All three tax credit investments were made through the New York Equity Fund. The Fund was formed to create an investment pool for corporate equity investments supporting low-income housing development.

U.S. Trust helped create and continues to help manage the NYCIC and its Revolving Credit Facility. NYCIC provides debt and equity financing primarily for minority, and women-owned small businesses.

### **Community Development Services**

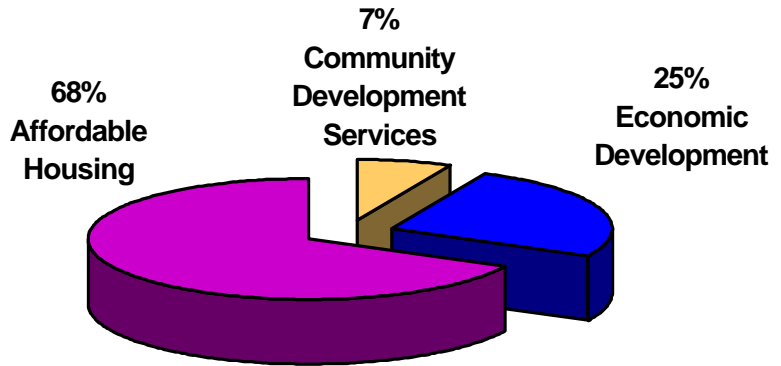
The bank provided free investment advisory services to the Lower East Side People’s Federal Credit Union in order to help maximize the credit union’s financial resources.

### **RESPONSIVENESS TO CREDIT AND COMMUNITY DEVELOPMENT NEEDS**

U.S. Trust exhibited excellent responsiveness to credit and community development needs in its assessment areas. Overall, the bank helped to address each major type of community development need through community development loans, qualified investments and through community development services.

### **Community Development Lending**

A major portion of U.S. Trust’s community development lending supported initiatives aimed at affordable housing efforts. Sixty-eight percent or \$3.7 million of total community development lending activity supported affordable housing initiatives, 25 percent or \$1.3 million supported economic development, and



7 percent or \$387 thousand supported community services targeted to LMI individuals. Community contacts indicated the need for all types of community development lending, including funds for affordable housing, loans for economic development, and funds in support of social services.

As previously noted, 74 percent of community development lending activity was concentrated in the New York City portion of PMSA 5600 (New York, NY) where commitments totaled \$4 million. No community development loans were made in Nassau County. Since Regulation BB does not require an institution to make community development loans in all parts of its assessment area, 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 part of an assessment area.

### **Qualified Investments**

U.S. Trust's investments demonstrated excellent responsiveness to the most pressing credit and community development needs in the assessment area with investments and grants totaling \$15 million. A total of \$12.2 million or 81 percent in investments and grants were targeted to affordable housing. Investments in affordable housing were indirect, made primarily through

entities focusing on the development of LMI housing and on mortgage-backed securities. Affordable housing was identified as one of the primary credit needs in the assessment area.

Also, the bank made \$128 thousand in deposits to community development financial institutions and federal credit unions enabling them to provide mortgage, consumer and small business credit in primarily LMI communities. An additional \$78 thousand investment supported an organization supplying small business loans, and investments and grants totaling \$2.4 million were extended to groups involved in economic development and revitalization and stabilization in LMI areas. The bank also made a \$25 thousand investment in a community services organization and made an additional \$393 thousand in donations to similar groups.

### **Community Development Services**

The bank's community development services exhibited excellent responsiveness to credit and community development needs. Most of the community development services were aimed at helping community services organizations in their missions to assist LMI individuals. Bank personnel use their specialized financial skills to help meet the financial and operational needs of the Neighborhood Housing Services, Mercy Haven, Inc. and Brooklyn Legal Services.

### **COMPLIANCE WITH FAIR LENDING LAWS**

No credit practices were identified that violated the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants. Technical violations of the Home Mortgage Disclosure Act (Regulation C) were noted, however, and U.S. Trust was required to correct and resubmit the bank's 1998 and 1999 HMDA Loan Application Registers ("LAR").

## **ASSESSMENT AREA ANALYSES**

## NEW YORK STATE

### CRA RATING FOR NEW YORK STATE: "OUTSTANDING"

U.S. Trust's overall performance in New York State was excellent. With the exception of a \$387 thousand loan, the bank conducts all of its lending and investment activities in New York, with the majority concentrated in New York City. The bank also provided a high level of community development services. Most community development lending and qualified investments are for affordable housing for LMI individuals.

### PMSA 5380 (NASSAU-SUFFOLK, NY)

#### DESCRIPTION OF INSTITUTION'S OPERATION IN THE PMSA

U.S. Trust has a limited presence in this PMSA with only one branch office located in Garden City, in the Nassau County section of PMSA 5380.

The following demographic and economic information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor, and the New York State Office of Economic Development.

#### PERFORMANCE CONTEXT

##### Demographic Characteristics

U.S. Trust's assessment area within PMSA 5380 includes all of Nassau County and had a population in 1990 of approximately 1.3 million, about 7 percent of New York State's population and 15 percent of the bank's total assessment area population.

Of the 270 census tracts in the PMSA, 24 or 9 percent are LMI tracts. The LMI census tracts in Nassau County are concentrated in the town of Hempstead.

##### Income Characteristics

The 1999 HUD adjusted median family income for the PMSA is \$73,300, substantially higher than the median family income of \$53,400 for New York City, the other part of the bank's New York State assessment area. In 1990, the percentage and number of families in the Nassau County portion of the PMSA included 51,119 or 14.7 percent low-income families, 60,856 or 17.5 percent moderate-income families, 86,880 or 25.1 percent middle-income and 147,935 or 42.7 percent upper-income families. Only 13 percent of LMI families reside in LMI geographies while 74 percent are located in middle-income tracts.

##### Housing Characteristics

Of the 446,292 housing units in Nassau County, 347,159 or 78 percent are owner-occupied and 84,356 or 19 percent are rental units. Seventy-seven percent of the housing units are single-family units, with only 11 percent in multifamily structures. The median housing value is \$208,514 and the median rent is \$749 as of 1990. These high housing costs place a burden on LMI families who, according to community contacts, are in need of rental assistance, affordable housing options, and assistance with down payment and closing costs.

### Labor, Employment and Economic Characteristics

The dominant industries in the local economy are services and retail. Between 1991 and 1995, the manufacturing sector declined 22 percent primarily as a result of defense industry closings. The economy has rebounded, however, with the growth of biotechnology firms and small service and retail businesses. Many of the businesses are high technology employers such as subcontracting firms in the aviation and automobile industries. The November 1999 unemployment rate for Nassau County is 2.8 percent, which is lower than Suffolk County's 3.2 percent, the other county in the PMSA, and lower than that of the state's jobless rate of 4.8 percent.

In addition to affordable housing needs, community contacts noted the need for small business financing, programs and services for senior citizens, and economic development financing to help revitalize local business districts.

## **CONCLUSIONS WITH RESPECT TO THE COMMUNITY DEVELOPMENT TEST IN PMSA 5380 (NASSAU-SUFFOLK, NY)**

Overall, performance in the assessment area portion of PMSA 5380 was adequate given the bank's limited operations. There was no community development lending. Qualified investments were confined to grants. Community development services, while small in volume, were complex.

Community development lending and qualified investments are evaluated at the state level, and the presence or absence of these initiatives at the PMSA level does not enhance or detract from conclusions regarding the bank's performance as a whole.

### **Community Development Lending**

There was no community development lending activity in PMSA 5380. The bank provided credit totaling \$1 million to two statewide organizations that include the PMSA in its operations. One organization specializes in financing and rehabilitating housing in LMI neighborhoods throughout New York State. The other organization provides loans to small businesses that have found it difficult to obtain credit.

### **Qualified Investments**



Investments in Nassau County consisted of \$4.3 million or 29 percent of total investments and grants. A major portion of the investments was in mortgage-backed securities with underlying loans in the county. Approximately \$20 thousand in grants and donations was directed to organizations that promote community services and affordable housing.

### **Community Development Services**

U.S. Trust is involved in three community development service initiatives in PMSA 5380. As discussed on page BB8, the director of the bank's Medical Department provides financial expertise in managed care, federal and state grant applications, and budgeting to Mercy Haven, Inc. The organization operates three residences in Nassau County on Long Island.

Several senior bank officers serve on a senior citizen housing committee and an investment advisory board supplying services for LMI persons provided by Catholic Charities of the Diocese of Rockville Center.

## **RESPONSIVENESS TO CREDIT AND COMMUNITY DEVELOPMENT NEEDS**

U.S. Trust demonstrated adequate responsiveness to the credit and community development needs in PMSA 5380 considering its limited operation in this PMSA.

### **Community Development Loans**

The bank made no community development loans in this PMSA.

### **Qualified Investments**

U.S. Trust made grants to three nonprofit organizations involved in affordable housing and community services.

### **Community Development Services**

The organizations that received grants also received technical assistance and fundraising support.

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

### **DESCRIPTION OF INSTITUTION'S OPERATION IN THE PMSA**

As of April 4, 2000, U. S. Trust maintained four branches or 67 percent of the bank's total branch network, in the New York County of the PMSA.

### **PERFORMANCE CONTEXT**

#### ***Demographic Characteristics***

U.S. Trust's assessment area within PMSA 5600 includes all the boroughs and counties that make up New York City: Bronx, Kings (Brooklyn), New York (Manhattan), Richmond (Staten Island) and Queens Counties. The assessment area has a total population of 7.3 million or about 86 percent of the total population of the PMSA and 85 percent of the bank's assessment area. The most populous county is Kings with 2.3 million, followed by Queens, with 2 million; New York, 1.5 million; the Bronx, 1.2 million; and Richmond County with 379 thousand.

With regard to the bank's assessment area in PMSA 5600, approximately 67 percent of the 2,159 census tracts are in Kings and Queens Counties. Of the total tracts, 746 or 34 percent are LMI. Most of the LMI census tracts, 323 or 43 percent, are in Kings County, while 192 or 26 percent are in the Bronx, 124 or 17 percent in New York County, 95 or 13 percent in Queens County, and 12 tracts or 1 percent in Richmond County. Of the 1.8 million families in the assessment area, 666,929 or 37 percent reside in LMI census tracts.

#### ***Income Characteristics***

The 1999 HUD adjusted median family income is \$53,400, a 7 percent increase since 1998. Richmond County traditionally maintains the highest median family income, while Bronx County has the lowest. Of the families residing in the assessment area, 772,172 or 44 percent are LMI.

#### ***Housing Characteristics***

Of the 3 million housing units in the assessment area, only 808,901 or 27 percent are owner-occupied. Rental units total 67 percent of housing units. In Bronx, New York and Kings Counties, however, rental units represent 79 percent, 75 percent and 70 percent, respectively. In Richmond and Queens Counties, only 34 percent and 55 percent, respectively, of all housing units are rentals. Of all of the units in the assessment area, 63 percent or 1.9 million units are multifamily structures with five or more units. This housing characteristic is most pronounced in New York and Bronx Counties where 96 percent and 75 percent, respectively, are multifamily structures.

The 1990 median housing value for New York City is \$187,876 while the median gross rent is \$496. In New York County, the median housing value of \$471,074 far exceeds the assessment area average. A comparison of housing costs with median income shows that affordable owner-occupied housing is out of reach for LMI families in the assessment area, indicating a demand for affordable rental housing units. In addition to that need, community contacts also cited the need for loans to rehabilitate existing housing stock. (Over half the housing stock in the city was constructed before 1950.

### Labor, Employment and Economic Characteristics

Driven largely by tourism and the financial industry in New York County, the local economy has been growing rapidly. Job growth in the service and retail sectors has compensated to some extent for job losses in the manufacturing and government sectors. Even so, in November 1999, New York City recorded the highest unemployment rates in New York State. Unemployment rates remain high in Bronx and Kings Counties with 7.8 percent and 7.4 percent, respectively. New York County has a 5.4 percent unemployment rate and Queens and Richmond Counties each have a 5.6 percent rate. All of these figures exceed the state rate of 4.8 percent or of the national rate of 3.8 percent.

Community contacts noted the need for small business loans to encourage the formation and expansion of small businesses, economic development lending to strengthen communities, and funding to support nonprofit community development organizations.

## **CONCLUSIONS WITH RESPECT TO THE COMMUNITY DEVELOPMENT TEST IN PMSA 5600 (NEW YORK, NY)**

Overall, U.S. Trust demonstrated a high level of performance in PMSA 5600. There was a high level of community development services as well as community development lending and qualified investments supporting housing and programs for LMI persons, including financing to secure debt service payments for 318 units of LMI housing.

### **Community Development Lending**

The bank's community development lending activity in the PMSA totaled \$4 million. Fifty-one percent or approximately \$2 million was committed to affordable housing, 25 percent or \$1 million for community services and 24 percent or \$982 thousand for economic development. Approximately 70 percent or \$2.8 million of loans were in new money. The bank initiated a revolving line of credit for a nonprofit organization that promotes economic self-reliance of micro-entrepreneurs in LMI areas of New York City.

### **Qualified Investments**

U.S. Trust's qualified investments in the PMSA totaled \$7.9 million or 53 percent of the bank's total investments. Approximately \$5.7 million or 72 percent of the total was initiated since the last examination. The PMSA investments and grants included, \$5.2 million or 66 percent in support of affordable housing, \$2.1 million or 27 percent for economic development, \$410 thousand or 5 percent in funding of community services, and \$125 thousand or 2 percent for revitalization and stabilization funding. Of total PMSA investments and grants, \$780 thousand or 10 percent were direct investments and grants in nonprofit organizations serving community needs and \$7 million or 90 percent in indirect commitments.

### **Community Development Services**

The bank's excellent level of community development services included advisory services, technical assistance, in-kind donations and a work-study program. The bank maintained 42 activities with 74 percent dedicated to community services and 10 percent each to economic development and revitalization and stabilization of LMI geographies. Six percent was dedicated to affordable housing.

## **RESPONSIVENESS TO CREDIT AND COMMUNITY DEVELOPMENT NEEDS**

U.S. Trust exhibited excellent responsiveness to the credit and community development needs within PMSA 5600 where 85 percent of the total assessment area resides.

### **Community Development Loans**

As noted above, 74 percent of all community development lending occurred in PMSA 5600. Approximately 81 percent of all new loans were originated in this PMSA. A 418 unit multi-family loan was backed by with an unsecured letter of credit.

### **Qualified Investments**

Fifty-three percent of qualified investments were directed to this PMSA. In addition, \$2.8 million went to statewide organizations, all of which have a large number amount of their programs and a major presence in New York City.

**Community Development Services**

The bank has expanded its technical assistance and direct services to 42 community organizations serving the affordable housing, community and economic development needs of the area. U.S. Trust provides free investment management services, free bank accounts and discounts on asset management services to nonprofit organizations. In addition, most of the PCs, printers and monitors donated to New York City schools and a South Bronx repair and training operation that makes the PCs affordable for LMI families.

## **NEW JERSEY**

### **CRA RATING FOR NEW JERSEY: Not Applicable**

Since the U.S. Trust office in New Jersey opened on March 17, 2000, the bank had no opportunity to provide community development loans, investments or services in the state. However, a student from Ferris High School in Jersey City has been enlisted through the bank's work-study program for high school seniors.

## **EXHIBITS**

EXHIBIT 1

# Summary of Community Development Lending

May 27, 1998 - April 3, 2000

Assessment Area	Commitment ('000s)	%	Outstanding ('000s)	%	New Money ('000s)	%	Housing Units
PMSA 5600 (New York, NY)	\$4,028	74%	\$1,031	80%	\$2,831	81%	418
PMSA 5380 (Nassau-Suffolk, NY)	0	0%	0	0%	0	0%	0
NY Statewide	1,040	19%	261	20%	676	19%	0
NY CMSA 5602 Subtotal	5,068	93%	1,292	100%	3,507	100%	0
Nationwide	387	7%	0	0%	0	0%	418
<b>TOTALS</b>	<b>\$5,455</b>	<b>100%</b>	<b>\$1,292</b>	<b>100%</b>	<b>\$3,507</b>	<b>100%</b>	<b>418</b>
Direct Activity	2,581	47%	100	8%	2,581	74%	418
Indirect Activity	2,874	53%	1,192	92%	926	26%	0
<b>TOTAL ACTIVITY</b>	<b>\$5,455</b>	<b>100%</b>	<b>\$1,292</b>	<b>100%</b>	<b>\$3,507</b>	<b>100%</b>	<b>418</b>
Affordable Housing	3,722	68%	655	51%	3,257	93%	418
Community Services	387	7%	0	0%	0	0%	0
Economic Development	1,346	25%	637	49%	250	7%	0
Revitalization & Stabilization	0	0%	0	0%	0	0%	0



EXHIBIT 2

# Summary of Qualified Investment Activity

May 27, 1998 - April 3, 2000

Assessment Area	Commitment ('000s)	%	Outstanding ('000s)	%	New Money ('000s)	%	Housing Units
PMSA 5600 (New York, NY)	\$7,878	53%	\$6,018	46%	\$5,663	48%	24
PMSA 5380 (Nassau-Suffolk, NY)	4,273	28%	4,267	33%	3,279	28%	29
NY Statewide	2,848	19%	2,837	21%	2,846	24%	26
NY CMSA 5602 / NY Assessment Area Subtotal	14,999	100%	13,122	100%	11,788	100%	79
<b>TOTALS</b>	<b>\$14,999</b>	<b>100%</b>	<b>\$13,122</b>	<b>100%</b>	<b>\$11,788</b>	<b>100%</b>	<b>79</b>
Direct Activity	800	5%	800	6%	656	5%	0
Indirect Activity	14,199	95%	12,322	94%	11,132	95%	79
<b>TOTAL ACTIVITY</b>	<b>\$14,999</b>	<b>100%</b>	<b>\$13,122</b>	<b>100%</b>	<b>\$11,788</b>	<b>100%</b>	<b>79</b>
Affordable Housing	12,199	81%	11,180	85%	11,210	95%	79
Community Services	418	3%	418	3%	368	3%	0
Economic Development	2,179	15%	1,321	10%	34	<1%	0
Revitalization & Stabilization	203	1%	203	2%	176	2%	0

Note: There was no activity in New Jersey.

## **CRA APPENDICES**

**CRA APPENDIX A**

The examination period covers the activities of U. S. Trust from May 27, 1998, through April 3, 2000. The bank's performance was evaluated using the *Interagency Procedures and Guidelines for Wholesale and Limited Purpose Institutions*.

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>		<b>5/27/98 to 4/3/00</b>	
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
United States Trust Company of New York 114 West 47 <sup>th</sup> Street New York, NY 10036			<ul style="list-style-type: none"> <li>• Community Development Loans</li> <li>• Qualified Investments</li> </ul>
<b>AFFILIATE(S)</b>			<b>PRODUCTS REVIEWED</b>
N/A			N/A
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
PMSA 5600 (New York, NY)	On-site		
PMSA 5380 (Nassau-Suffolk, NY)	Off-site		

## CRA APPENDIX B

### GLOSSARY

**AREA MEDIAN INCOME:** The median family income for the county.

**ATM:** Automated teller machine.

**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.

**CRA:** Community Reinvestment Act.

**HUD:** The 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 metropolitan statistical area (“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 block number area (“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.

**PERFORMANCE CONTEXT:** The economic and demographic characteristics of a bank’s assessment area(s). The following information is considered to help understand the context in which an institution’s performance should be evaluated: (1) the economic and demographic characteristics of the assessment area(s); (2) lending, investment, and service opportunities in the assessment area(s); (3) the institution’s product offerings and business strategy; (4) the institution’s capacity and constraints; (5) the prior performance of the institution, and in appropriate circumstance, the performance of similarly situated institutions; and (6) other relevant information.

**PMSA:** 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.

**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.

**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.