



# **PUBLIC DISCLOSURE**

**Date of Evaluation:** January 16, 1996

## **COMMUNITY REINVESTMENT ACT**

### **PERFORMANCE EVALUATION**

**Name of Depository Institution:** The Bank of New York-New Jersey

**Institution's Identification Number:** 02-36-4880

**Address of Institutions:** 385 Rife Camp Road

Federal Reserve Bank of New York

33 Liberty Street

New York, NY 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 Community Reinvestment Act ("CRA") performance of **The Bank of New York, New Jersey** 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 January 16, 1996. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This delineation 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.*

*The new CRA regulation will be phased in over a two-year period beginning on July 1, 1995. During that period, banks with total assets greater than \$250 million will be examined under the current regulation with its twelve assessment factors until July 1, 1997. However, to comply with the requirements of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, this evaluation includes conclusions with respect to overall performance as well as the bank's performance in each Metropolitan Statistical Area which the bank has delineated for CRA purposes.*

## **ASSIGNMENT OF RATING**

### ***Identification of Ratings***

***In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:***

***Outstanding record of meeting community credit needs.***

***An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.***

***Satisfactory record of meeting community credit needs.***

***An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.***

***Needs to improve record of meeting community credit needs.***

***An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.***

***Substantial noncompliance in meeting community credit needs.***

***An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.***

**DISCUSSION OF INSTITUTION'S PERFORMANCE**

**INSTITUTION'S RATING:** This institution is rated Satisfactory based on the findings presented below.

The Bank of New York, New Jersey's ("BONY-NJ") level of compliance with the Community Reinvestment Act ("CRA") is considered satisfactory. The bank has taken significant steps to meet community credit needs by offering a strong line of special credit products through both the bank and its mortgage affiliate, and through substantial participation in innovative community development projects and programs. The bank has an active program that includes effective and ongoing outreach efforts, marketing and advertising programs for lending products, and management and board of directors' involvement and oversight. However, community development activity in MSA 5190 (Monmouth-Ocean, NJ) and MSA 8480 (Trenton, NJ,) as well as residential mortgage, home improvement and small business lending penetration in certain communities could be improved. (See the following sections of the public disclosure for details: Conclusions With Respect To Performance Categories on page 8 and Metropolitan Statistical Areas and Non-Metropolitan Statewide Areas analyses on page 23.)

## **DESCRIPTION OF INSTITUTION**

BONY-NJ's headquarters is located in West Paterson, New Jersey, which is part of MSA 0875 (Bergen-Passaic, NJ). At September 30, 1995, the bank's assets totaled \$4.1 billion. The bank has a network of 106 branch offices and offers a full range of commercial banking, trust and investment services to individuals, small businesses and municipalities. It is a provider of retail banking services to 16 counties in the State of New Jersey. Through its affiliate, the Bank of New York Mortgage Company ("Mortgage Company"), BONY-NJ offers single and multifamily residential mortgages throughout the delineated community.

The bank became a member of the Federal Reserve System on July 26, 1995. Prior to that time, the bank had a national charter and was subject to supervision by the Office of the Comptroller of the Currency.

BONY-NJ is a subsidiary of The Bank of New York Company, Inc. BONY-NJ's principal affiliates are The Bank of New York (New York) and The Bank of New York (Delaware). The Bank of New York (New York) is a state-chartered banking corporation and a member of the Federal Reserve System. The Bank of New York (Delaware) is a state-chartered FDIC insured non-member bank and therefore is subject to supervision by the FDIC.

There are no financial or legal factors that would impede BONY-NJ in fulfilling its responsibilities under CRA.

## **REASONABLENESS OF DELINEATED COMMUNITY**

BONY-NJ's delineation consists of one geographic region within the State of New Jersey where it originates a substantial majority of its loans. Since the last examination, the bank expanded the delineation to include all of Essex, Ocean, Somerset, and Union counties, rather than a portion of each county. The delineated community appears to be reasonable and is consistent with the political boundary and effective lending territory criteria permitted by Sections 228.3(b)(1) and (2) of Regulation BB. Low- and moderate-income areas have not been arbitrarily excluded from the bank's delineation. The geographic distribution of loan applications and approvals supports the bank's delineation.

The delineated community includes all or portions of eight metropolitan statistical areas ("MSAs") as described below:

- A portion of MSA 5640 (Newark, NJ), consisting entirely of Essex, Morris, Sussex, and Union counties, and a portion of Warren County. This MSA has the greatest concentration of low- and moderate-income populations. According to 1990 census data, the delineated portion of MSA 5640 has a total population of 1.8 million of which 560 thousand, or approximately 31 percent, reside in low- and moderate-income census tracts.
- All of MSA 0875 (Bergen-Passaic, NJ), consisting of Bergen and Passaic counties. This MSA has a total population of 1.3 million of which 293 thousand, or approximately 23 percent, reside in low- and moderate-income census tracts.

- All of MSA 5190 (Monmouth-Ocean, NJ), consisting of Monmouth and Ocean counties. This MSA has a total population of 985 thousand of which 230 thousand, or approximately 23 percent, reside in low- and moderate-income census tracts.
- A portion of MSA 5015 (Middlesex-Somerset-Hunterdon, NJ), consisting of Middlesex and Somerset counties. The delineated portion of this MSA has a total population of 909 thousand of which 160 thousand, or approximately 18 percent, reside in low- and moderate-income census tracts.
- All of MSA 3640 (Jersey City, NJ), consisting of Hudson County. This MSA has a total population of 553 thousand of which 108 thousand, or approximately 20 percent, reside in low- and moderate-income census tracts.
- A portion of MSA 8480 (Trenton, NJ), consisting of Mercer County. The delineated portion of this MSA has a total population of 324 thousand of which 74 thousand, or approximately 23 percent, reside in low- and moderate-income census tracts.
- A portion of MSA 0560 (Atlantic-Cape May, NJ), consisting entirely of Atlantic County and a portion of Cape May County. The delineated portion of this MSA has a total population of 240 thousand of which 35 thousand, or approximately 15 percent, reside in low- and moderate-income census tracts.
- A portion of MSA 6160 (Philadelphia, PA-NJ), consisting of a portion of Burlington County. This area of the delineation has a total population of 13 thousand. There are no low- and moderate-income census tracts in the area.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CATEGORIES**

The following is a summary of BONY-NJ's CRA performance based on the five performance categories: 1) Community development; 2) Geographic distribution and record of opening and closing offices; 3) Marketing and types of credit offered and extended; 4) Discrimination and other illegal credit practices; and, 5) Ascertainment of community credit needs. See the MSA and non-MSA analyses on page 23 for further details regarding the assessment factors that deal with performance. A discussion pertaining to the assessment factors that deal with the CRA process begins on page 40.

### **I. COMMUNITY DEVELOPMENT**

#### **Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

BONY-NJ strongly supports community development programs and initiatives. As of this examination, the bank has \$34.4 million in community development loans and investments. Community development loans for the purpose of constructing, purchasing and refurbishing affordable housing for low- and moderate-income residents total \$32 million or 93 percent of total community development lending. Community development grants and contributions total \$52.7 thousand (See Assessment Factor L on page 47 for details).

The bank participates in community development activities in all MSAs within the delineation, except MSA 6160 (the Burlington County, New Jersey portion of Philadelphia, PA-NJ). However, participation in community development initiatives in MSA 5190 (Monmouth-Ocean, NJ) and MSA 8480 (Trenton, NJ) could be strengthened. MSA 5190 represents 16 percent and MSA 8480 represents 5 percent of the delineation's population residing in low- and moderate-income census tracts. Respectively, only 0.3 percent of the total community development financing was devoted to each MSA. There are no low- and moderate-income census tracts in the delineated portion of MSA 6160.

The majority of the loan commitments, 76.7 percent or \$26.4 million is extended to organizations located in MSA 0875 (Bergen-Passaic, NJ) and MSA 5640 (Newark, NJ). These two MSAs, which include the cities of Newark, Paterson, West Paterson and Hackensack, contain 51 percent of the population in the bank's delineation and 58 percent of the low- and moderate-income population within the bank's delineation.

Community development financing to organizations that serve specific MSAs is \$32.3 million. (See the Metropolitan Statistical Area Analysis section on pages 23 through 39 for details pertaining to project and program financing conducted within specific MSAs.) BONY-NJ also committed \$2.1 million in indirect lending to two intermediary organizations serving all of the State of New Jersey as follows:

- A \$2 million equity investment through a non-bank affiliate to facilitate the rehabilitation and development of low-income housing. Through a revolving loan fund that is structured to receive affordable housing tax credits, low-income housing projects located throughout New Jersey receive funding.

- A \$100 thousand loan to provide investor loan capital for businesses through a consortium operating a revolving loan fund in the State of New Jersey. The interest rate for loans under this program will be below market, 3.5 percent fixed, and loans will be made to businesses that would not qualify under normal underwriting criteria.

## **II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

The geographic distribution of BONY-NJ's lending activity was determined through an analysis of the bank's Home Mortgage Disclosure Act ("HMDA") data (residential home purchase and refinancing mortgages, and home improvement loans) made from April, 1994 through September, 1995 as well as small business loans made during the same period. Overall, the analysis demonstrates that there is reasonable application and approval activity for home purchases, refinancings, home improvement and small business loans throughout the bank's delineation. BONY-NJ has made a reasonable effort to help serve the credit needs of low- and moderate-income communities.

The following, Exhibits 1 and 2, reflect the bank's residential mortgage and home improvement application and loan activity adjusted for demand (based upon the number of owner-occupied units) for each county within each MSA that comprise the bank's delineation. These exhibits are based on 1990 demographic data for the delineated portion of each county that falls within the bank's delineated community. Exhibit 3 reflects small business lending activity. For the estimate of demand for small business lending in each MSA, the review considered all of the retail and service small business establishments within the delineated counties, since the data is available only on a county level.

**Exhibit 1  
 BONY - NJ  
 April 1, 1994 - Sept. 30, 1995  
 Home Purchase and Refinance  
 Demand-Adjusted Penetration By County & MSA In Delineation**

| Place           | Owner-Occupied Units In: |                   | Total Applications |                   | # of Applications Per 1,000 Units |                   | Total Approvals    |                   | # of Approvals Per 1,000 Units |                   |
|-----------------|--------------------------|-------------------|--------------------|-------------------|-----------------------------------|-------------------|--------------------|-------------------|--------------------------------|-------------------|
|                 | <i>Non L&amp;M</i>       | <i>L&amp;M **</i> | <i>Non L&amp;M</i> | <i>L&amp;M **</i> | <i>Non L&amp;M</i>                | <i>L&amp;M **</i> | <i>Non L&amp;M</i> | <i>L&amp;M **</i> | <i>Non L&amp;M</i>             | <i>L&amp;M **</i> |
| Essex           | 92,281                   | 34,064            | 34                 | 29                | 0.37                              | 0.85              | 22                 | 15                | 0.24                           | 0.44              |
| Union           | 96,244                   | 16,264            | 28                 | 10                | 0.29                              | 0.61              | 19                 | 7                 | 0.20                           | 0.43              |
| Morris          | 108,940                  | 1,152             | 60                 | 1                 | 0.55                              | 0.87              | 42                 | 1                 | 0.39                           | 0.87              |
| Sussex          | 36,226                   | 348               | 37                 | 1                 | 1.02                              | 2.87              | 30                 | 0                 | 0.83                           | 0.00              |
| Warren*         | 5,250                    | N/A               | 2                  | N/A               | 0.38                              | N/A               | 2                  | N/A               | 0.38                           | N/A               |
| <b>MSA 5640</b> | <b>338,941</b>           | <b>51,828</b>     | <b>161</b>         | <b>41</b>         | <b>0.48</b>                       | <b>0.79</b>       | <b>115</b>         | <b>23</b>         | <b>0.34</b>                    | <b>0.44</b>       |
| Passaic         | 67,747                   | 18,891            | 27                 | 38                | 0.40                              | 2.01              | 16                 | 23                | 0.24                           | 1.22              |
| Bergen          | 193,713                  | 16,094            | 110                | 7                 | 0.57                              | 0.43              | 82                 | 5                 | 0.42                           | 0.31              |
| <b>MSA 0875</b> | <b>261,460</b>           | <b>34,985</b>     | <b>137</b>         | <b>45</b>         | <b>0.52</b>                       | <b>1.29</b>       | <b>98</b>          | <b>28</b>         | <b>0.37</b>                    | <b>0.80</b>       |
| Ocean           | 84,883                   | 54,534            | 70                 | 26                | 0.82                              | 0.48              | 58                 | 20                | 0.68                           | 0.37              |
| Monmouth        | 130,012                  | 13,560            | 126                | 21                | 0.97                              | 1.55              | 100                | 16                | 0.77                           | 1.18              |
| <b>MSA 5190</b> | <b>214,895</b>           | <b>68,094</b>     | <b>196</b>         | <b>47</b>         | <b>0.91</b>                       | <b>0.69</b>       | <b>158</b>         | <b>36</b>         | <b>0.74</b>                    | <b>0.53</b>       |
| Middlesex       | 139,697                  | 21,308            | 45                 | 6                 | 0.32                              | 0.28              | 34                 | 2                 | 0.24                           | 0.09              |
| Somerset        | 62,735                   | 3,970             | 12                 | 0                 | 0.19                              | 0.00              | 10                 | 0                 | 0.16                           | 0.00              |
| <b>MSA 5015</b> | <b>202,432</b>           | <b>25,278</b>     | <b>57</b>          | <b>6</b>          | <b>0.28</b>                       | <b>0.24</b>       | <b>44</b>          | <b>2</b>          | <b>0.22</b>                    | <b>0.08</b>       |
| Hudson          | 60,367                   | 7,470             | 72                 | 7                 | 1.19                              | 0.94              | 51                 | 2                 | 0.84                           | 0.27              |
| <b>MSA 3640</b> | <b>60,367</b>            | <b>7,470</b>      | <b>72</b>          | <b>7</b>          | <b>1.19</b>                       | <b>0.94</b>       | <b>51</b>          | <b>2</b>          | <b>0.84</b>                    | <b>0.27</b>       |
| Mercer          | 65,361                   | 12,457            | 21                 | 17                | 0.32                              | 1.36              | 16                 | 16                | 0.24                           | 1.28              |
| <b>MSA 8480</b> | <b>65,361</b>            | <b>12,457</b>     | <b>21</b>          | <b>17</b>         | <b>0.32</b>                       | <b>1.36</b>       | <b>16</b>          | <b>16</b>         | <b>0.24</b>                    | <b>1.28</b>       |
| Atlantic        | 51,028                   | 4,004             | 12                 | 0                 | 0.24                              | 0.00              | 11                 | 0                 | 0.22                           | 0.00              |
| Cape May*       | 3,801                    | N/A               | 0                  | N/A               | 0.00                              | N/A               | 0                  | N/A               | 0.00                           | N/A               |
| <b>MSA 0560</b> | <b>54,829</b>            | <b>4,004</b>      | <b>12</b>          | <b>0</b>          | <b>0.22</b>                       | <b>0.00</b>       | <b>11</b>          | <b>0</b>          | <b>0.20</b>                    | <b>0.00</b>       |
| Burlington*     | 2,901                    | N/A               | 2                  | N/A               | 0.69                              | N/A               | 2                  | N/A               | 0.69                           | N/A               |
| <b>MSA 6160</b> | <b>2,901</b>             | <b>N/A</b>        | <b>2</b>           | <b>N/A</b>        | <b>0.69</b>                       | <b>N/A</b>        | <b>2</b>           | <b>N/A</b>        | <b>0.69</b>                    | <b>N/A</b>        |
| <b>Total</b>    | <b>1,201,186</b>         | <b>204,116</b>    | <b>658</b>         | <b>163</b>        | <b>0.55</b>                       | <b>0.80</b>       | <b>495</b>         | <b>107</b>        | <b>0.41</b>                    | <b>0.52</b>       |

\* Cape May, Warren and Burlington Counties are only partially delineated and contain no low- and moderate-income census tracts.

\*\* LM indicates low- and moderate-income census tracts

**Exhibit 2  
 BONY - NJ  
 April 1, 1994 - Sept. 30, 1995  
 Home Improvement  
 Demand-Adjusted Penetration By County & MSA In Delineation**

| Place           | Owner-Occupied Units In: |                   | Total Applications |                   | # of Applications Per 1,000 Units |                   | Total Approvals    |                   | # of Approvals Per 1,000 Units |                   |
|-----------------|--------------------------|-------------------|--------------------|-------------------|-----------------------------------|-------------------|--------------------|-------------------|--------------------------------|-------------------|
|                 | <i>Non L&amp;M</i>       | <i>L&amp;M **</i> | <i>Non L&amp;M</i> | <i>L&amp;M **</i> | <i>Non L&amp;M</i>                | <i>L&amp;M **</i> | <i>Non L&amp;M</i> | <i>L&amp;M **</i> | <i>Non L&amp;M</i>             | <i>L&amp;M **</i> |
| Essex           | 92,281                   | 34,064            | 68                 | 18                | 0.74                              | 0.53              | 41                 | 7                 | 0.44                           | 0.21              |
| Union           | 96,244                   | 16,264            | 46                 | 2                 | 0.48                              | 0.12              | 28                 | 1                 | 0.29                           | 0.06              |
| Morris          | 108,940                  | 1,152             | 193                | 4                 | 1.77                              | 3.47              | 130                | 1                 | 1.19                           | 0.87              |
| Sussex          | 36,226                   | 348               | 173                | 8                 | 4.78                              | 22.99             | 115                | 2                 | 3.17                           | 5.75              |
| Warren*         | 5,250                    | N/A               | 8                  | N/A               | 1.52                              | N/A               | 5                  | N/A               | 0.95                           | N/A               |
| <b>MSA 5640</b> | <b>338,941</b>           | <b>51,828</b>     | <b>488</b>         | <b>32</b>         | <b>1.44</b>                       | <b>0.62</b>       | <b>319</b>         | <b>11</b>         | <b>0.94</b>                    | <b>0.21</b>       |
| Passaic         | 67,747                   | 18,891            | 83                 | 43                | 1.23                              | 2.28              | 57                 | 12                | 0.84                           | 0.64              |
| Bergen          | 193,713                  | 16,094            | 383                | 52                | 1.98                              | 3.23              | 236                | 26                | 1.22                           | 1.62              |
| <b>MSA 0875</b> | <b>261,460</b>           | <b>34,985</b>     | <b>466</b>         | <b>95</b>         | <b>1.78</b>                       | <b>2.72</b>       | <b>293</b>         | <b>38</b>         | <b>1.12</b>                    | <b>1.09</b>       |
| Ocean           | 84,883                   | 54,534            | 64                 | 12                | 0.75                              | 0.22              | 37                 | 7                 | 0.44                           | 0.13              |
| Monmouth        | 130,012                  | 13,560            | 138                | 20                | 1.06                              | 1.47              | 92                 | 8                 | 0.71                           | 0.59              |
| <b>MSA 5190</b> | <b>214,895</b>           | <b>68,094</b>     | <b>202</b>         | <b>32</b>         | <b>0.94</b>                       | <b>0.47</b>       | <b>129</b>         | <b>15</b>         | <b>0.60</b>                    | <b>0.22</b>       |
| Middlesex       | 139,697                  | 21,308            | 93                 | 9                 | 0.67                              | 0.42              | 53                 | 5                 | 0.38                           | 0.23              |
| Somerset        | 62,735                   | 3,970             | 20                 | 2                 | 0.32                              | 0.50              | 14                 | 1                 | 0.22                           | 0.25              |
| <b>MSA 5015</b> | <b>202,432</b>           | <b>25,278</b>     | <b>113</b>         | <b>11</b>         | <b>0.56</b>                       | <b>0.44</b>       | <b>67</b>          | <b>6</b>          | <b>0.33</b>                    | <b>0.24</b>       |
| Hudson          | 60,367                   | 7,470             | 80                 | 13                | 1.33                              | 1.74              | 30                 | 2                 | 0.50                           | 0.27              |
| <b>MSA 3640</b> | <b>60,367</b>            | <b>7,470</b>      | <b>80</b>          | <b>13</b>         | <b>1.33</b>                       | <b>1.74</b>       | <b>30</b>          | <b>2</b>          | <b>0.50</b>                    | <b>0.27</b>       |
| Mercer          | 65,361                   | 12,457            | 44                 | 6                 | 0.67                              | 0.48              | 28                 | 2                 | 0.43                           | 0.16              |
| <b>MSA 8480</b> | <b>65,361</b>            | <b>12,457</b>     | <b>44</b>          | <b>6</b>          | <b>0.67</b>                       | <b>0.48</b>       | <b>28</b>          | <b>2</b>          | <b>0.43</b>                    | <b>0.16</b>       |
| Atlantic        | 51,028                   | 4,004             | 96                 | 10                | 1.88                              | 2.50              | 45                 | 2                 | 0.88                           | 0.50              |
| Cape May*       | 3,801                    | N/A               | 3                  | N/A               | 0.79                              | N/A               | 2                  | N/A               | 0.53                           | N/A               |
| <b>MSA 0560</b> | <b>54,829</b>            | <b>4,004</b>      | <b>99</b>          | <b>10</b>         | <b>1.81</b>                       | <b>2.50</b>       | <b>47</b>          | <b>2</b>          | <b>0.86</b>                    | <b>0.50</b>       |
| Burlington*     | 2,901                    | N/A               | 0                  | N/A               | 0.00                              | N/A               | 0                  | N/A               | 0.00                           | N/A               |
| <b>MSA 6160</b> | <b>2,901</b>             | <b>N/A</b>        | <b>0</b>           | <b>N/A</b>        | <b>0.00</b>                       | <b>N/A</b>        | <b>0</b>           | <b>N/A</b>        | <b>0.00</b>                    | <b>N/A</b>        |
| <b>Total</b>    | <b>1,201,186</b>         | <b>204,116</b>    | <b>1,492</b>       | <b>199</b>        | <b>1.24</b>                       | <b>0.97</b>       | <b>913</b>         | <b>76</b>         | <b>0.76</b>                    | <b>0.37</b>       |

\* Cape May, Warren and Burlington Counties are only partially delineated and contain no low- and moderate-income census tracts.

\*\* LM indicates low- and moderate-income census tracts

| <b>Exhibit 3<br/>                     Small Business Lending<br/>                     BONY - New Jersey<br/>                     April 1, 1994 through September 30, 1995</b> |              |                  |                    |                            |                    |
|---|--------------|------------------|--------------------|----------------------------|--------------------|
| Area Name   | SBL          | SBE <sup>1</sup> | Loans/1,000<br>SBE | % Loans in<br>LMI Tracts** | % LMI Tracts<br>** |
| Essex   | 92           | 7,443            | 12.36              | 16.3%                      | 61.8%              |
| Union   | 30           | 5,141            | 5.84               | 20.0%                      | 33.7%              |
| Morris  | 191          | 5,568            | 34.30              | 5.2%                       | 5.6%               |
| Sussex  | 37           | 1,199            | 30.86              | 8.1%                       | 2.4%               |
| Warren*   | 5            | 983              | 5.09               | 0.0%                       | 0.0%               |
| <b>MSA 5640</b>   | <b>355</b>   | <b>20,334</b>    | <b>17.46</b>       | <b>9.6%</b>                | <b>38.8%</b>       |
| Passaic   | 107          | 04,198           | 25.49              | 33.6%                      | 51.6%              |
| Bergen  | 502          | 11,244           | 44.65              | 22.3%                      | 28.1%              |
| <b>MSA 0875</b>   | <b>609</b>   | <b>15,442</b>    | <b>39.44</b>       | <b>24.3%</b>               | <b>35.3%</b>       |
| Ocean   | 34           | 3,609            | 9.42               | 11.8%                      | 31.0%              |
| Monmouth  | 102          | 6,260            | 16.29              | 8.8%                       | 23.1%              |
| <b>MSA 5190</b>   | <b>136</b>   | <b>9,869</b>     | <b>13.78</b>       | <b>9.6%</b>                | <b>26.1%</b>       |
| Middlesex   | 106          | 6,609            | 16.04              | 18.9%                      | 22.6%              |
| Somerset  | 13           | 3,207            | 4.05               | 7.7%                       | 11.9%              |
| <b>MSA 5015</b>   | <b>119</b>   | <b>9,816</b>     | <b>12.12</b>       | <b>17.6%</b>               | <b>19.9%</b>       |
| Hudson  | 65           | 4,623            | 14.06              | 12.3%                      | 22.9%              |
| <b>MSA 3640</b>   | <b>65</b>    | <b>4,623</b>     | <b>14.06</b>       | <b>12.3%</b>               | <b>23.0%</b>       |
| Mercer  | 17           | 3,376            | 5.04               | 52.9%                      | 33.3%              |
| <b>MSA 8480</b>   | <b>17</b>    | <b>3,376</b>     | <b>5.04</b>        | <b>52.9%</b>               | <b>33.3%</b>       |
| Atlantic  | 57           | 2,503            | 22.77              | 10.5%                      | 23.9%              |
| Cape May*   | 1            | 1,282            | 0.78               | 0.0%                       | 0.0%               |
| <b>MSA 0560</b>   | <b>58</b>    | <b>3,785</b>     | <b>15.32</b>       | <b>10.5%</b>               | <b>23.3%</b>       |
| Burlington*   | 1            | 3,417            | 0.29               | 0.0%                       | 0.0%               |
| <b>MSA 6160</b>   | <b>1</b>     | <b>3,417</b>     | <b>0.29</b>        | <b>0.0%</b>                | <b>0.0%</b>        |
| <b>Total</b>  | <b>1,360</b> | <b>70,662</b>    | <b>19.25</b>       | <b>17.6%</b>               | <b>30.6</b>        |

\* Cape May, Warren and Burlington Counties are only partially delineated and contain no low- and moderate-income census tracts.

\*\* LMI indicates low- and moderate-income census tracts.

1. Number of establishments with < \$1 million in sales or receipts. Source: 1992 Economic Census of Retail Trade and 1992 Economic Census of Service Industries, U.S. Department of Commerce, Bureau of the Census.

## **HMDA Lending Summary**

BONY-NJ's overall level of penetration for mortgage and home improvement activity is satisfactory. The geographic distribution of HMDA loan products reveals that the bank has achieved a significant level of penetration within its delineation, with 96 percent of total applications as well as 96 percent of total approvals falling within the bank's delineated community.

When demand is adjusted to reflect owner occupancy (demand- adjusted basis), the overall penetration level of residential mortgage application and approval activity in low- and moderate-income census tracts is slightly stronger than such activity in non-low- and moderate-income census tracts. However, residential mortgage activity within certain communities could be improved.

As reflected in Exhibit 1 on page 10, overall demand-adjusted mortgage application and approval activity in low- and moderate-income census tracts is 1.5 times stronger for applications and 1.3 times stronger for approvals than such activity in the non-low-and moderate-income census tracts.

Further analysis at the MSA level indicates that mortgage application and approval penetration in low-and moderate-income census tracts exceeds or is comparable to non-low-and moderate-income census tract activity in 11 of the 16 counties in the delineation. The exceptions are Ocean County in MSA 5190 (Monmouth-Ocean, NJ), Middlesex and Somerset counties in MSA 5015 (Middlesex-Somerset-Hunterdon, NJ), Hudson County in MSA 3640 (Jersey City, NJ), and Atlantic County in MSA 0560 (Atlantic-Cape May, NJ). The activity in these counties is discussed within the Metropolitan Statistical Area Analysis that begins on page 23.

During the 18-month period under review, there was a decline in refinance activity. This was primarily due to a rising interest rate environment. An analysis of the small volume of refinancing mortgage loans that were originated indicates that the bank's low- and moderate-income census tract application and approval penetration rates are equal to such activity in the non-low- and moderate-income census tracts.

The bank's overall penetration level of home improvement applications in low- and moderate-income census tracts is reasonable, but there are communities where a substantial number of low- and moderate-income census tracts show little or no application or lending activity. The approval rate in low- and moderate-income areas is only half that of the non-low- and moderate-income census tracts, but the trend in 1995 was improving.

As reflected in Exhibit 2 on page 11, overall demand-adjusted home improvement application and approval activity from non-low- and moderate-income census tracts is 1.3 times stronger for applications, and 2 times stronger for approvals than such activity in the low- and moderate-income census tracts. Further analysis at the county level indicates that home improvement application activity in low- and moderate-income census tracts exceeds non-low- and moderate-income census tract activity in half of the 16 delineated counties. For the approvals the activity in non-low- and moderate-income census tracts exceeded such activity in low- and moderate-income census tracts in all counties except Sussex County in MSA 5640 (Newark, NJ) and Bergen

County in MSA 0875 (Bergen-Passaic, NJ). Further details regarding the bank's home improvement lending are discussed in the Metropolitan Statistical Areas Analysis section that begins on page 23.

### **Small Business Lending**

The analysis of the geographic distribution of the bank's small business lending activity was determined through an analysis of 1,420 small business loans. Of the 1,420 small business loans, 1,360 or 96 percent were made within the bank's delineation. BONY-NJ is satisfactorily meeting the small business credit needs of its delineated community. When demand is adjusted to reflect the number of small business establishments (demand-adjusted basis), the bank's overall small business loan penetration is strong. However, there are some weaknesses in lending in three of the 16 delineated counties (Somerset County in MSA 5015, Union County in MSA 5640 and Mercer County in MSA 8480) and some weakness in low-and moderate-income areas in two counties (Essex, and Union counties in MSA 5640).

As reflected in Exhibit 3 on page 12, on a demand-adjusted basis, 19.3 loans per 1,000 small businesses establishments were originated in the delineated community. The bank exhibited strong performance in MSA 0875 (Bergen-Passaic, NJ). There was also strong loan penetration in Atlantic County in MSA 0560 (Atlantic-Cape May, NJ) and Morris and Sussex counties in MSA 5640 (Newark, NJ). Weak loan penetration was exhibited in Somerset County in MSA 5015 (Middlesex-Somerset-Hunterdon, NJ), Union County in MSA 5640 (Newark, NJ), and Mercer County in MSA 8480 (Trenton, NJ).

Exhibit 3 on page 12 shows that approximately 18 percent of the small business loans were extended to small businesses operating in low- and moderate-income census tracts. The low- and moderate-income census tract loan penetration appears moderately weak, since 31 percent of the census tracts in BONY-NJ's delineated community are low- and moderate-income tracts. In addition, lending in some urban low- and moderate-income neighborhoods was weak. These neighborhoods are located in Essex and Union counties in MSA 5640 (Newark, NJ); Hudson County in MSA 3640 (Jersey City, NJ); Mercer County in MSA 8480; and Atlantic County in MSA 0560 (Atlantic-Cape May, NJ). The bank has made very few small business loans in the low- and moderate-income neighborhoods in Newark in MSA 5640, Jersey City and Bayonne in MSA 3640, Elizabeth in MSA 5640, Trenton in MSA 8480 and Atlantic County in MSA 0560.

### **Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.**

BONY-NJ has a network of 106 branch offices, with 13.2 percent (14 of 106) located in low- and moderate-income geographies. Services offered through the branch network are reasonably accessible to all segments of the delineated community. Branches have standard business hours and provide all products and services offered by the bank.

BONY-NJ has established a written policy to ensure that branch closing decisions are based on objective standards such as market penetration and profitability. The policy conforms to the guidelines provided in the joint interagency policy statement, and requires the bank to analyze the

impact of a branch closing on the local community. The bank provides timely advance notification to the appropriate regulatory agencies, as well as information that supports its decision. BONY-NJ also provides timely advance notification to its affected customers of its plans to close a branch, and informs them of the number and types of services that will continue to be available from its nearby branches.

The bank added three branch offices through a bank acquisition since the last examination. One branch was closed in order to improve the bank's profitability. The branch closing does not appear to have had significant negative effects on the accessibility to the bank's services. Based on the proximity of nearby branches and the continued availability of all branch services, it does not appear that customers, particularly those in low- and moderate-income communities, were adversely affected by this branch closing. BONY-NJ complied with its written policy in its handling of the branch closing.



The following exhibit indicates the number and location of branches by MSA and respective county:

**Exhibit 4**  
**Number of Branches By County, MSA & LM Tract**

| County          | Number of Branches | Number In Low/Mod Tracts | % In Low/Mod Tracts |
|-----------------|--------------------|--------------------------|---------------------|
| Essex           | 6                  | 1                        | 16.67               |
| Morris          | 16                 | 1                        | 6.25                |
| Sussex          | 8                  | 1                        | 12.50               |
| Union           | 0                  | 0                        | 0.00                |
| Warren          | 1                  | 0                        | 0.00                |
| <b>MSA 5640</b> | <b>31</b>          | <b>3</b>                 | <b>9.68</b>         |
| Bergen          | 35                 | 5                        | 14.29               |
| Passaic         | 4                  | 0                        | 0.00                |
| <b>MSA 0875</b> | <b>39</b>          | <b>5</b>                 | <b>12.82</b>        |
| Monmouth        | 7                  | 1                        | 14.29               |
| Ocean           | 2                  | 1                        | 50.00               |
| <b>MSA 5190</b> | <b>9</b>           | <b>2</b>                 | <b>22.22</b>        |
| Middlesex       | 7                  | 2                        | 28.57               |
| Somerset        | 1                  | 0                        | 0.00                |
| <b>MSA 5015</b> | <b>8</b>           | <b>2</b>                 | <b>25.00</b>        |
| Hudson          | 10                 | 1                        | 10.00               |
| <b>MSA 3640</b> | <b>10</b>          | <b>1</b>                 | <b>10.00</b>        |
| Mercer          | 3                  | 1                        | 33.33               |
| <b>MSA 8480</b> | <b>3</b>           | <b>1</b>                 | <b>33.33</b>        |
| Atlantic        | 6                  | 0                        | 0.00                |
| Cape May        | 0                  | 0                        | 0.00                |
| <b>MSA 0560</b> | <b>6</b>           | <b>0</b>                 | <b>0.00</b>         |
| Burlington      | 0                  | 0                        | 0.00                |
| <b>MSA 6160</b> | <b>0</b>           | <b>0</b>                 | <b>0.00</b>         |
| <b>TOTAL</b>    | <b>106</b>         | <b>14</b>                | <b>13.21</b>        |

### **III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

#### **Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.**

BONY-NJ's marketing activities are strong and effectively reach all areas within its delineated community, including low- and moderate-income neighborhoods. The bank has developed and implemented a comprehensive marketing program designed to communicate with and inform the various population segments within the delineation of the institution's various credit products and the banking services offered. In addition to programs designed to cover its market in a general fashion, specific campaigns have been implemented to target members of the low- and moderate-income, minority and ethnic communities.

#### **Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.**

BONY-NJ offers a wide variety of credit products designed to meet the credit needs of its entire delineation. The retail product line is strong and includes products specifically developed for low- and moderate-income consumers. Many of these products were developed as a result of the bank's ascertainment efforts and the bank's contact with community groups.

The products offered include: new and used automobile, personal unsecured installment, home improvement, student and education loans, credit cards, reserve lines of credit, home equity credit lines and loans. A broad range of mortgage financing is offered through the bank's affiliate, the Bank of New York Mortgage Company. In addition to its own conventional residential mortgages, housing loans are originated in conjunction with the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Housing Administration ("FHA"), and Veterans Administration ("VA"). For details pertaining to FHA and VA financing, see Assessment Factor J following this section on page 20.

Residential mortgages are available both at fixed and variable rates with maturities of 15, 20, 25 and 30 years. Mortgage loans are originated using traditional underwriting criteria and on a more flexible basis to people of low- and moderate-incomes. BONY-NJ also offers a line of commercial loan programs which include small business loans, Small Business Administration ("SBA") government guaranteed and New Jersey Economic Development Authority ("NJEDA") loans. Business loan products include: term loans, line of credit facilities, equipment financing, construction loans, and letters of credit.

### **SPECIAL LOAN PROGRAMS**

#### **Real Estate Lending**

BONY-NJ's residential loan products include a number of special programs designed to meet the credit needs of low- and moderate-income individuals and families. These programs provide more flexible underwriting criteria that allow lower down payments, reduced closing costs and interest rates, thereby making the loans more affordable. BONY participates in FNMA's Community Home Buyers and Fannie

97 Programs, which are two of several mortgage products available under the agency's Community Lending Program umbrella. The bank also participates in the Welcome Home Program, which is sponsored by the New Jersey Housing Finance Agency ("NJHFA"). BONY-NJ developed two conventional mortgage products, the Home Owner Initiative Program and the Community First Program, for low- and moderate-income applicants that do not meet FNMA or NJHFA underwriting requirements.

The following special credit programs are available throughout the bank's delineated community:

### **Community Home Buyers Program**

This program offers maturities of 15 - 30 years at a fixed rate. It is available with a "3/2 down payment" option ("3/2 option"). The 3/2 option allows borrowers to place a three percent down payment using their own funds and then arrange for the remaining two percent down payment through other sources such as a gift, a grant, or an unsecured loan. In most instances for properties located outside of qualified geographic areas, i.e., central cities, the borrower's income cannot exceed 100 percent of HUD's median income guidelines. A maximum debt-to-income ratio of 33/38 must be met. No cash reserves are required. All applicants must complete a Home Buyers Education Program. During the 21-month period ending December 31, 1995, the bank originated 479 loans that total \$54.9 million.

### **Welcome Home Program**

This program is sponsored by the NJHFA, FNMA and G.E. Mortgage Insurance Corporation. BONY-NJ originates the mortgage for ultimate sale to FNMA. The program makes home ownership more readily available to prospective first time homebuyers interested in purchasing a residence within NJHFA targeted areas. The program is available for owner-occupancy only. Borrowers must be willing to occupy the property within 60 days of closing and carry mortgage insurance covering 25 percent on mortgages with loan-to-value ratios exceeding 80 percent of the loan amount. Eligible applicants can receive fixed-rate financing for periods of 15 or 30 years for amounts of up to \$202,300. BONY-NJ originated 15 loans totaling \$1.6 million during the 21-month period ending December 31, 1995.

### **Home Ownership Initiative Program**

BONY-NJ continues to lend through its Home Ownership Initiative Program ("HOI"), which began in 1993. This 30-year fixed rate mortgage product allows for financing up to 95 percent of the value of the property for purchase of one to two family homes and condominiums, and financing up to 90 percent of the value of the property for purchase of three to four family homes, mixed use property and co-ops. Refinancing of up to 90 percent of the value of the property is also available for all property types.

HOI loans are available to all homebuyers who have either completed homeownership counseling training offered by a BONY-NJ approved Homeownership Counseling Group, or are financing a property within a "Designated Community." The program provides additional flexibility in underwriting criteria. During the last six months of 1994 and the full year of 1995, BONY-NJ's mortgage affiliate made 252 HOI loans totalling \$22 million.

### **The Community First Program**

BONY-NJ's Community First program is available to finance the purchase of 1 to 4 family homes, cooperative apartments, condominium units, townhouses, and mixed-use properties. Underwriting and terms for loans made under this program have been relaxed to make it easier for low- and moderate-income borrowers to qualify. These terms and conditions include: debt-to-income ratios of 36/41 percent, and minimum down payments of three percent from the borrower. The balance of the down payment, two percent, may be borrowed or can come from various subsidies that are available in certain communities. During the 21-month period ending December 31, 1995, the bank originated 217 home purchase loans totaling \$17 million and 61 refinancing mortgages totaling \$4.7 million for low- and moderate-income borrowers.

## **HOME IMPROVEMENT LOANS**

The bank provides three home improvement loan programs specifically for low- and moderate-income homeowners as follows:

### **Secured Home Improvement Loan**

Under this program, the bank offers loans up to \$15,000 with the interest rate fixed at 2 percent below BONY-NJ's prevailing rate for conventional fixed-rate loans. The loan carries no closing or filing fees and has maturities of up to 180 months.

### **Unsecured Home Improvement Loan**

Under this program, low-income individuals receive a 1 percent discount and moderate-income individuals receive a 1/2 of one percent rate reduction on loans of up to \$5,000. This program is available to both homeowners and tenants.

### **New Jersey Natural Gas Conservation Loan**

BONY-NJ provides loans for up to \$5,000 to all qualified applicants who wish to improve their homes with energy saving insulation, weather proof windows or more efficient heating units. These loans carry a below-market interest rate that is subsidized by the gas utility.

## **SMALL BUSINESS LENDING**

BONY-NJ offers a variety of credit products and services to its commercial customers. Loan products offered include short term time, term, construction and mortgage loans, standby letters of credit and line of credit facilities. Most financing is based on traditional underwriting terms which emphasize loan purpose and source of repayment and usually carry a variable interest rate linked to the bank's prime.

Small business loans are generally originated for concerns with credit requirements of less than \$250,000. During the 21-month period ending December 31, 1995, 685 small business loans were originated totaling \$78.6 million. In addition, the bank in conjunction with other financial institutions, joined with various municipalities to provide small business loans for businesses located in targeted redevelopment zones for the purpose of building purchase, leasehold improvements and working capital. These loans

do not meet standard underwriting criteria. Loan amounts range from \$5,000 - \$100,000 and are offered at more favorable rates. Targeted communities include: Fair Lawn, Union City, Old Bridge, Freehold, Toms River and Lakewood.

**Assessment Factor J - The institution's participation in governmentally- insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.**

BONY-NJ strongly supports governmentally-related housing, small business and education loan programs throughout its delineation. Housing loans are originated in conjunction with the New Jersey Housing Finance Agency ("NJHFA"), the Federal Housing Authority ("FHA"), and the Veterans Administration ("VA"). Small business loans are made through the Small Business Administration ("SBA"). BONY-NJ continues to be an SBA preferred lender and assists business enterprises through participation in the New Jersey Economic Development Authority ("NJEDA") statewide loan pool and guaranty program. The bank also participates in the Federally Guaranteed Student Loan Program.

**NJHFA HOME BUYERS PROGRAM**

The Mortgage Company is a participating lender in the Home Buyers Program in affiliation with NJHFA, the sponsoring agency. The Mortgage Company originates the loan and then sells it to NJHFA. The program is available to first-time home buyers interested in purchasing a 1-4 family primary residence within a targeted urban area designated by NJHFA. The purchase price may not exceed certain limits designated by the agency based on the location of the property. The program provides 30-year fixed rate financing at rates designated by NJHFA with maximum LTV of 95 percent. During the 21-month period ending December 31, 1995, the Mortgage Company originated 15 mortgages totaling \$1.6 million under this program.

**FHA-INSURED REVERSE MORTGAGE PROGRAM**

The Mortgage Company participates in the FHA-insured reverse mortgage program. This program allows senior citizens to utilize their home equity for income, select an appropriate payment plan that fits their needs, and retain ownership of their home. Underwritten in conjunction with the Department of Housing and Urban Development, these loans are ultimately sold to FNMA. There are no income restrictions or credit history considerations. The only requirement is that the applicant be over the age of 62, occupy the residence and have full title clear of any liens on the property. All applicants must receive counseling before approval is granted. The Mortgage Company originated nine loans totaling \$1.3 million for the 21-month period ending December 31, 1995.

**FHA/VA**

The Mortgage Company offers several FHA/VA products. Special features for VA loans include no down payment with generally no cash reserve requirement and a no closing cost option. Special features for FHA loans include a three percent down payment, which may be a gift from a non-borrower, with a no closing cost option. During the 21-month period ending December 31, 1995, the Mortgage Company made a total of 54 FHA loans totaling \$6 million. During the same period, 10 VA loans were made totaling \$1.2 million.

**SBA**

During the 21-month period ending December 31, 1995, BONY-NJ originated 14 government guaranteed loans for \$2 million.

### **NJEDA**

BONY-NJ originated 49 loans totaling \$53.6 million during the 21-month period ending December 31, 1995 under the NJEDA program.

### **STUDENT LOANS**

BONY-NJ offers federally subsidized and unsubsidized student loans and parent loans for students. For the 21-month period ending December 31, 1995, the bank originated 5,276 student loans totaling \$10.6 million.

## **IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

### **Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).**

BONY-NJ solicits credit applications from all segments of its delineated community. Management has developed written policies, procedures and training programs to ensure that the bank does not illegally discourage or prescreen applicants. A review of policies, procedures and credit applications did not produce any evidence of practices intended to discourage applications for the types of credit set forth in the bank's CRA statement.

### **Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.**

BONY-NJ is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act, the Fair Housing Act and any agency regulations pertaining to nondiscriminatory treatment of credit applicants.

## **V. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

### **Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.**

BONY-NJ has a very effective ascertainment program. The determination of credit needs is an on-going process that involves the board, senior management, loan officers and bank personnel. At this examination, the bank demonstrated innovative methods of meeting the community development needs within its delineated community by seeking out opportunities in conjunction with community-based organizations, financial intermediaries, government officials and agencies, and various affordable housing developers.

**Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

BONY-NJ has an effective CRA program in place that includes senior management and its board of directors in the formulation of policy, establishment of goals and ongoing review of the bank's CRA efforts.

## **METROPOLITAN STATISTICAL AREA ANALYSIS**

**CONCLUSIONS WITH RESPECT TO THE ASSESSMENT FACTORS THAT DEAL WITH PERFORMANCE:** The categories that deal with the CRA process as well as demographics and economic factors that existed at the time of this examination are discussed on pages 40 - 47.

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

BONY-NJ strongly supports community development programs and initiatives in this MSA. Overall, the geographic analysis shows that the bank is reasonably serving the credit needs of the entire MSA.

A review of home purchase and refinancing mortgage activity shows the bank is lending throughout this MSA, including low- and moderate-income census tracts. However, the analysis of mortgage and home improvement activity shows that the level in Essex and Union counties should be increased, particularly in low- and moderate-income census tracts for home improvement activity. Similarly, while the bank achieved a reasonable overall penetration level for small business lending, the penetration level should be increased within certain low- and moderate-income communities in Essex and Union counties. The retail products in this MSA are those offered throughout the entire delineation.

### **I. COMMUNITY DEVELOPMENT**

**Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The bank's community development lending activity is strongest in this MSA, with \$17,035 million or 50 percent of the total community development financing devoted to this MSA. According to 1990 census data, 38 percent of the delineation's population that resides in low- and moderate-income census tracts is in this MSA.

BONY-NJ's participation in community development projects within the MSA for the period May 1994 to January 1996 follows:

- Commitment of \$3.3 million to a grass-roots community-based organization to finance the construction and permanent financing of 27 two-family homes for low- and moderate-income buyers in a low-income neighborhood in East Orange. The construction portion of the commitment, \$484 thousand will be funded directly by the bank. The \$2.8 million for the project's end-loans will be made by the bank's mortgage affiliate, the Bank of New York Mortgage Company. A completed home will sell for \$123 thousand, but the purchase will be supported by \$42 thousand in subsidies from the State of New Jersey Balanced Housing Fund and the East Orange H.O.M.E Fund.
- Commitment of \$4.5 million for the construction of an apartment building consisting of 101 units of housing for low- and moderate-income senior citizens in Wharton, NJ. Fifty of the one-bedroom units are reserved for low-income seniors. The remaining 34 one-bedroom units and all of the 17 two-bedroom units may be rented to moderate-income seniors. Income restriction levels are set according to the Council on Affordable Housing 1995 Regional Income Limits as of April 12, 1995. The median income in the Wharton area according to this guideline is \$45.8 thousand.



- Commitment of \$2.5 million to provide construction and permanent financing for the rehabilitation of two apartment buildings located in a low- and moderate-income area of Newark. The complex will contain 80 revenue producing apartments with 40 units to be rented to low-income (section 8) renters and the other 40 may be rented to moderate-income renters. The current outstanding balance of the loan is \$1.5 million.
- Commitment of \$870 thousand to provide construction and permanent financing for a shelter to house homeless and needy persons in East Orange. The total cost of the project is projected to be \$2.7 million with \$1.9 million to be made available from federal, state, and local grants.
- Commitment of \$3.5 million to rehabilitate two apartment buildings in East Orange. All of the units will be designated as affordable housing units to be rented to individuals or families whose income is not more than 60% of the area median.
- Commitment of \$65 thousand to cover the cost of renovation of a church in Flanders for the permanent location of a child care and learning center. The center currently provides child care in leased quarters. Approximately 41 percent of the families served by the center are low-income families. The current outstanding balance of the loan is \$31 thousand.
- Commitment of \$100 thousand in loans to businesses located in, or relocating to, the Downtown Millburn Special Improvement District. The bank will loan up to 50 percent of the project cost for land and building acquisition, new construction, renovation and rehabilitation, and the acquisition and installation of machinery and equipment. Forty percent of the project cost will be provided by a loan from a local economic development corporation and the remaining 10 percent must be provided by the borrower.
- Commitment to provide a not-for-profit, church sponsored affordable housing corporation with a \$1.6 million loan to construct a three story, 22 unit apartment building in New Providence. The 22 units will be rented to seniors whose income is less than 60 percent of the median income for Union County. Permanent financing for this project will come from the sale of low-income housing tax credits.
- Loan of \$600 thousand for the purchase and renovation of a four story, 59 unit apartment complex in East Orange. The property, which was only 50 percent occupied at the time of the loan commitment, is located in a low-income area comprised primarily of multi-family housing. Ninety-eight percent of the units in the renovated building are now rented to predominately low- and moderate-income tenants. The current outstanding balance of the loan is \$600 thousand.

## **II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

#### **MORTGAGE AND HOME IMPROVEMENT ACTIVITY**

A review of the mortgage activity shows that the bank is reasonably serving the housing credit needs of the delineated portions of MSA 5640 (Newark, NJ). The overall penetration level for mortgage lending in this MSA is almost comparable to the level in the entire delineated community. However, the penetration in non-low- and moderate-income census tracts in Essex and Union counties is substantially less than the delineated community's non-low- and moderate-income penetration level and should be increased. This activity is shown in Exhibit 1 on page 10. Mortgage application and approval rates in low- and moderate-income census tracts in this MSA exceed the rates in non-low- and moderate-income census tracts, with application activity 1.7 times stronger and approval activity 1.3 times stronger.

However, as reflected in Exhibit 2 on page 11, home improvement application and approval activity in low- and moderate-income census tracts is significantly less than such activity in the MSA's non-low- and moderate-income tracts. In non-low- and moderate-income census tracts, the activity is 2.3 times stronger for applications and 4.5 times stronger for approvals than such activity in low- and moderate-income tracts. This is primarily due to the disparity in activity between the two income groups in Essex and Union counties. Areas where loan activity needs to be strengthened are in East Orange, Newark and Irvington in Essex County, Elizabeth, Union and Rahway in Union County.

Further analysis conducted to assess the home improvement loan penetration in the MSA based upon applicant income shows that the applicant profile is not representative of this MSA's demographics. In MSA 5640, low-and moderate-income families represent 38 percent of the MSA's population. Low- and moderate-income home improvement applicants represent 19 percent of all home improvement applicants and 8 percent of all home improvement borrowers in the MSA. This is significantly less than the MSA's low- and moderate-income population. Therefore, it appears that weaknesses exist in lending to low- and moderate-income home improvement applicants in this portion of BONY-NJ's delineated community.

#### **SMALL BUSINESS LENDING ACTIVITY**

BONY-NJ's lending to small businesses in MSA 5640 is reasonable, with an overall penetration level of 17.5 loans per 1,000 small business establishments. However, lending in or near low- and moderate-income census tracts is weak, especially in Essex and Union counties where the cities of Newark and Elizabeth are located.

As reflected in Exhibit 3 on page 12, the bank made 92 loans in Essex County, which contains 7,443 small business establishments. Only 16 percent of these loans were made in low- and moderate-income census tracts, which comprise 62 percent of the total census tracts in the county. In Essex County, most of the small business loans are in the northern and western part of the county, far removed from the low- or moderate income census tracts. BONY-NJ has 6 branches in Essex County, with one located in the center of the low- and moderate-income neighborhoods.

The bank has no branches in Union County. There are 5,141 small business establishments in Union County, but since the last examination the bank made only 30 small business loans in this portion of the MSA. This equates to 5.84 loans per 1,000 small businesses, substantially less than the loan penetration for the bank's total delineated community (19.3 loans per 1,000 small business establishments). Only six of these were made in low-and moderate-income census tracts, even though 33.7 percent of the census tracts in the county are low- and moderate-income.

On a demand-adjusted basis, small business lending is very strong in Morris and Sussex counties, with 34.3 and 30.9 loans per 1,000 small business establishments, respectively. These counties contain primarily middle- and upper-income census tracts. The bank's loan penetration in the low- and moderate-income census tracts in these counties is reasonable. The portion of Warren County located in the bank's delineated community contains no low- and moderate-income census tracts.

**Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.**

As a result of a savings bank acquisition in March, 1995, the bank added three offices to its branch network. They are all located in Morris County.

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

BONY-NJ strongly supports community development programs and initiatives in this MSA. The bank is meeting the mortgage and home improvement credit needs in the MSA, exhibiting a strong penetration of both application and approval rates overall, with a strong penetration in low- and moderate-income census tracts. The bank's small business lending activity within the MSA is also strong. The retail products in this MSA are those offered throughout the entire delineation.

**I. COMMUNITY DEVELOPMENT**

**Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

BONY-NJ's community development lending activity is strong in this MSA, with \$9,350 million or 27 percent of the total community development financing devoted to this MSA. According to 1990 census data, 20 percent of the delineation's population that resides in low- and moderate-income census tracts is in this MSA.

BONY-NJ's participation in community development projects within the MSA for the period May 1994 to January 1996 follows:

- Commitment of \$250 thousand to participate in a small business loan program established by a municipality in Bergen County. Loans will be approved by the bank, based on recommendations from the program's member bank application review committee. The bank will fund 60 percent of each loan and the program will finance the remaining balance. The current outstanding balance of the loan is \$42 thousand.
- Commitment of \$9 million to finance the rehabilitation of two buildings and to build another building. The project is sponsored by a non-profit organization, and qualifies for the historic tax credit program in Paterson, New Jersey. While maintaining the historic character of the Great Falls Historic District where the project is located, the project provided sorely needed jobs and 68 units of affordable rental housing to the community. Repayment of \$5.4 million of the loan will come from the sale of the tax credits.
- In conjunction with other banks, a \$100 thousand commitment to participate with a not-for-profit organization providing funding to small businesses in the City of Paterson. All loans will receive a 50 percent guarantee from the not-for-profit organization.

## **II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

### **MORTGAGE AND HOME IMPROVEMENT ACTIVITY**

As reflected in Exhibit 1 on page 10, the demand-adjusted penetration level for mortgage applications and approvals in low- and moderate-income census tracts is 2.5 times stronger for applications and 2.2 times stronger for approvals than in non-low- and moderate income census tracts. Strong penetration was noted in the low- and moderate-income areas of Paterson, Clifton, Passaic, Garfield and Rutherford.

As reflected in Exhibit 2 on page 11, for home improvement applications the penetration in low- and moderate-income census tracts also exceeds the penetration in the non-low- and moderate-income census tracts, with application activity 1.5 times stronger than such activity in the non-low- and moderate-income census tracts. Approval activity in low- and moderate-income census tracts is almost equal to the activity in the non-low- and moderate-income census tracts.

### **SMALL BUSINESS LENDING ACTIVITY**

The bank's ratio of loans to small businesses is substantial at 39.4 loans per 1,000 small business establishments. A large percentage of these loans were made in or near low- and moderate-income census tracts in the southern portion of the MSA near Hackensack, Lodi and Garfield in Bergen County and Paterson, Clifton and West Paterson in Passaic County. The MSA contains 303 census tracts; 20 percent of which are low-income and 15 percent are moderate-income. Data is not available indicating the number of small businesses located in low- or moderate-income census tracts, but 24 percent of BONY-NJ's small business loans were to businesses operating in low- or moderate-income census tracts. A large percentage of the remaining loans were made to businesses operating in near proximity to low- and moderate-income neighborhoods.

**MSA 5190 (MONMOUTH-OCEAN, NJ)**

BONY-NJ's participation in community development activities in the MSA is modest and could be increased. While the bank is reasonably serving the housing credit needs in the MSA, mortgage and home improvement loan activity in Ocean County should be strengthened, particularly in low- and moderate-income census tracts. Small business loan penetration is reasonable given the limited opportunities in low- and moderate-income areas of the MSA, as discussed below. The retail products in this MSA are those offered throughout the entire delineation.

**I. COMMUNITY DEVELOPMENT**

**Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The bank's community development lending activity is modest in this MSA, with \$100 thousand or 0.3 percent of the total community development financing devoted to this MSA. According to 1990 census data, 16 percent of the delineation's population that resides in low- and moderate-income census tracts is in this MSA.

BONY-NJ's participation in community development projects within the MSA for the period May 1994 to January 1996 follows:

- Commitment of \$100 thousand to a consortium of seven banks to make loans to businesses operating in the City of Long Branch. The loans are for businesses that would not qualify for loans under the banks' normal underwriting guidelines. The city has received a block grant of \$400 thousand and loan requests under this program will be 40 percent funded by the grant and 60 percent by the consortium.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

**MORTGAGE AND HOME IMPROVEMENT ACTIVITY**

BONY-NJ's home purchase and refinancing applications and approvals are distributed throughout the MSA. Adjusted for demand, the level of mortgage application and approval activity is respectively, 1.3 and 1.4 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. At the county level, the demand-adjusted application and approval ratios in low- and moderate-income census tracts in Monmouth County are greater than activity in non-low- and moderate-income census tracts. However, in Ocean County loan activity in non-low- and moderate-income census tracts is approximately 2 times greater than activity in low- and moderate-income census tracts. See Exhibit 1 on page 10.

As reflected in Exhibit 2 on page 11, at the MSA level, the demand-adjusted penetration ratios for home improvement applications and approvals show that activity in non-low- and moderate-income census tracts is 2 times greater for applications and 2.7 times greater for approvals than activity in low- and moderate-income census tracts. In Ocean County, the approval rate in non-low- and moderate-income census tracts is more than three times greater than such activity in low- and moderate-income census tracts. Loan penetration is much stronger in low- and moderate-income census tracts in Monmouth County, where loan activity in both income groups is about the same. The weaknesses in the loan activity in Ocean County, are particularly pronounced in and around Toms River, Manahawkin and Tuckerton.

### **SMALL BUSINESS LENDING ACTIVITY**

As reflected in Exhibit 3 on page 12, the bank's demand-adjusted small business loan penetration rate, 13.78 loans per 1,000 small business establishments is reasonable. Lending activity in low- and moderate-income communities is also considered reasonable. Of the total 136 loans made in the MSA, 13 loans, or 10 percent, were made to businesses operating in low- or moderate-income census tracts.

Although the low- and moderate-income census tracts comprise 26 percent of the total tracts in this MSA, a large portion of these tracts are made up of military installations, state forests, and rural areas with limited concentration of small businesses.

### **Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.**

One branch, the Allaire Airport branch in Monmouth County, has closed since the last examination. In September 1995, the board approved the relocation and consolidation of the Allaire Airport branch into the New Bedford branch located at Route 138 and New Bedford Road, Wall Township.

The branch closing does not appear to have had significant negative effects on the accessibility to the bank's services. Based on the proximity of nearby branches and the continued availability of all branch services, it does not appear that customers, particularly those in low- and moderate-income communities, were adversely affected by this branch closing. BONY-NJ complied with its written policy in its handling of the branch closings.

**MSA 5015 (MIDDLESEX-SOMERSET-HUNTERDON, NJ)**

BONY-NJ reasonably supports community development programs and initiatives in this MSA. When adjusted for demand, overall mortgage and home improvement loan activity is less than half the delineated community's penetration level and should be strengthened. While the bank achieved a reasonable overall penetration level for small business lending, the penetration level is low within Somerset County. The retail products in this MSA are those offered throughout the entire delineation.

**I. COMMUNITY DEVELOPMENT**

**Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The bank's community development lending activity is reasonable in this MSA, with \$818 thousand or 2 percent of the total community development financing devoted to this MSA. According to 1990 census data, 11 percent of the delineation's population that resides in low- and moderate-income census tracts is in this MSA.

BONY-NJ's participation in community development projects within the MSA for the period May 1994 to January 1996 follows:

- In conjunction with other banks, a commitment of \$100 thousand to participate with a not-for-profit organization that provides funding to small business establishments in the City of New Brunswick. The bank has also committed to lend \$25 thousand to this organization for facade improvements in the city. Facade loans will not be guaranteed. The current outstanding loan balance is \$28 thousand.
- Two loans totaling \$693 thousand to a non-profit corporation formed as a vehicle for developing and administering economic development programs in Perth Amboy and other parts of Middlesex County. One of the loans supports child care through the local head start program. The other loan supports the acquisition and rehabilitation of a residential property that the non-profit corporation is renting to a low-income family. The current outstanding loan balances aggregate \$635 thousand.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

**MORTGAGE AND HOME IMPROVEMENT ACTIVITY**

In this MSA, when adjusted for demand, mortgage and home improvement loan application activity is virtually equal in low- and moderate-income and non-low-and moderate-income census tracts. While home improvement approval activity is slightly stronger in non-low-and moderate-income census tracts, mortgage approval activity for this group of census tracts is almost three times greater than such activity in low- and moderate-income census tracts.



However, further analysis conducted to assess the mortgage loan penetration in the MSA based upon applicant income shows that the applicant profile is representative of this MSA's demographics. Therefore, the lending weaknesses in low- and moderate-income census tracts are somewhat mitigated.

In this MSA, low- and moderate-income families represent 36 percent of the population. Low- and moderate-income mortgage applicants represent 38 percent of all mortgage applicants and 39 percent of all mortgage borrowers in the MSA. For home improvement lending, low- and moderate-income applicants represent 41 percent of all applicants and 32 percent of all borrowers for such loans in the MSA.

Nevertheless, there are portions of the MSA where lending should be strengthened. As reflected in Exhibits 1 and 2 on pages 10 and 11, in Somerset County, BONY-NJ had only 12 mortgage and 22 home improvement applications, and the county has 66,705 owner-occupied housing units. In Middlesex County, mortgage and home improvement lending should be increased in New Brunswick, Edison and Linden with particular emphasis placed in the low- and moderate-income areas of these cities.

Management has acknowledged the need to strengthen lending activity in this MSA and has expanded the mortgage sales force in order to generate more residential mortgage applications.

#### **SMALL BUSINESS LENDING ACTIVITY**

As reflected in Exhibit 3 on page 12, the bank's demand-adjusted penetration level is 12.12 loans per 1,000 small business establishments. Of the loans made, 18 percent were to businesses operating in low- and moderate-income census tracts. This reflects good loan penetration in an MSA where low- and moderate-income census tracts comprise 20 percent of the total.

In Somerset County, the loan rate of four loans per 1,000 small business establishments is low and should be improved.

## **MSA 3640 (JERSEY CITY, NJ)**

BONY-NJ strongly supports community development programs and initiatives in this MSA. While there is a reasonable level of penetration for mortgages and home improvement loan applications in low- and moderate-income census tracts in this MSA, the demand-adjusted approval rate for both products is weak.

The bank achieved a satisfactory overall penetration level for small business lending. The retail products in this MSA are those offered throughout the entire delineation.

### **I. COMMUNITY DEVELOPMENT**

#### **Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The bank's community development lending activity is strong in this MSA, with \$4.4 million or 13 percent of the total community development financing devoted to this MSA. According to 1990 census data, 7 percent of the delineation's population that resides in low- and moderate-income census tracts is in this MSA.

BONY-NJ's participation in community development projects within the MSA for the period May 1994 to January 1996 follows:

- Commitment of \$4.4 million to convert a former school building in Jersey City into 39 units of subsidized, affordable housing for the elderly. The project is supported by grants of \$1.9 million and a tax credit of \$2.4 million. The current outstanding balance on the loan is \$257 thousand.

### **II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

#### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

#### **MORTGAGE AND HOME IMPROVEMENT ACTIVITY**

Mortgage application activity in low- and moderate-income census tracts on a demand-adjusted basis is almost equal to the level in the non-low- and moderate-income census tracts. As reflected in Exhibit 1 on page 10, the level of mortgage approvals in the low- and moderate-income census tracts on a demand-adjusted basis is only one-third the penetration level achieved in the non-low- and moderate-income census tracts. Areas where loan activity is weak include Bayonne, Jersey City and Hoboken.

Exhibit 2 on page 11 shows that for home improvement applications, the demand-adjusted rate in low- and moderate-income census tracts exceeds the application penetration level in the non-low- and moderate-income census tracts. However, approvals in the low- and moderate-income areas are approximately one-half the penetration level achieved in the non-low- and moderate-income census tracts.

**SMALL BUSINESS LENDING ACTIVITY**

As reflected in Exhibit 3 on page 12, the bank's performance in this MSA is reasonable, with the overall penetration level of 14 loans per 1,000 small business establishments. Although the percentage of loans made in the low- and moderate-income census tracts is low in relation to the number of low- and moderate-income census tracts in this MSA, it is noted that the census tracts that surround the Jersey City branch include Ellis Island, Liberty Island, Liberty State Park, a cemetery, a large train yard and a large tract of marshlands. There is little or no business loan opportunity in these tracts and this mitigates the low penetration in these areas. The bank has initiated steps to increase the loan penetration through a more active call program spearheaded by a new bilingual Hispanic branch manager in a predominately Hispanic neighborhood.

**MSA 8480 (TRENTON, NJ)**

BONY-NJ's participation in community development activities in the delineated portion of this MSA is modest and should be increased. The bank is generally meeting the overall housing credit needs, with some weaknesses reflected in the penetration of mortgage activity in the non-low- and moderate-income neighborhoods and home improvement approvals in low- and moderate-income neighborhoods. While the bank's overall penetration level for small business lending is low in this MSA, the penetration level in low- and moderate-income census tracts is stronger, although the activity is concentrated in two of the 21 census tracts. The retail products in this MSA are those offered throughout the entire delineation.

**I. COMMUNITY DEVELOPMENT**

**Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The bank's community development lending activity is modest in this MSA, with \$100 thousand or 0.3 percent of the total community development financing devoted to this MSA. According to 1990 census data, 5 percent of the delineation's population that resides in low- and moderate-income census tracts is in this MSA.

BONY-NJ's participation in community development projects within the MSA for the period May 1994 to January 1996 follows:

- Commitment of \$100 thousand to participate with other banks in a small business lending consortium in Trenton.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

**MORTGAGE AND HOME IMPROVEMENT ACTIVITY**

As reflected in Exhibit 1 on page 10, only 21 mortgage applications were from the non-low- and moderate-income portion of the county which has 65,361 owner-occupied units and two of the three branches. The bank has a very strong level of penetration in the MSA for mortgage applications and approvals in low- and moderate-income census tracts in comparison to the MSA's non-low- and moderate-income census tracts. Mortgage application and approval penetration rates in low- and moderate-income census tracts are more than four times greater than the penetration rates in non-low- and moderate-income census tracts. Mortgage activity is concentrated in Trenton and should be expanded throughout the MSA.

For home improvement activity, the application penetration rate is slightly greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. However, as shown in Exhibit 2 on page 11, the approval rate in the non-low- and moderate-income census tracts is almost three times greater than the demand-adjusted approval rate in low- and moderate income census tracts.

**SMALL BUSINESS LENDING ACTIVITY**

Only 17 small business loans were originated within this MSA since the last examination. As reflected in Exhibit 3 on page 12, the overall penetration level of 5.04 loans per 1,000 small business establishments is substantially less than the delineated community's penetration level. Although nine of the 17 loans are extended to small businesses located in low- and moderate-income census tracts, there were no loans made in 19 of the 21 low- and moderate-income census tracts in the Mercer County and the activity should be increased.

**MSA 0560 (ATLANTIC-CAPE MAY, NJ)**

BONY-NJ's participation in community development activities in the MSA is satisfactory. While the overall level of mortgage lending activity is low and should be increased, the absence in low- and moderate-income census tracts may be caused by competitive factors, as discussed below. For home improvement, loan activity in low- and moderate-income census tracts exceeds the delineated community's penetration level, but is moderately low in comparison to loan activity in non-low- and moderate-income census tracts. While the bank achieved a reasonable overall penetration level for small business lending, weaknesses were noted in the penetration level in low- and moderate-income census tracts. This also may be caused by competitive factors. The retail products in this MSA are those offered throughout the entire delineation.

**I. COMMUNITY DEVELOPMENT**

**Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.**

The bank's community development lending activity is satisfactory in this MSA, with \$500 thousand or 1.5 percent of the total community development financing devoted to this MSA. According to 1990 census data, 2 percent of the delineation's population that resides in low- and moderate-income census tracts is in this MSA.

BONY-NJ's participation in community development projects within the MSA for the period May 1994 to January 1996 follows:

- Commitment of \$500 thousand to make loans to businesses operating in or moving to the Pleasantville Urban Enterprise Zone in Pleasantville, New Jersey. These loans will be approved based on the bank's normal underwriting criteria, but terms are more flexible than those under traditional lending policy.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

**MORTGAGE AND HOME IMPROVEMENT ACTIVITY**

As reflected in Exhibit 1 on page 10, the bank had only twelve applications for mortgage products in this MSA, which has 58,833 owner-occupied housing units. Management has acknowledged the need to strengthen mortgage lending activity in this MSA and has recently expanded the mortgage sales force in order to generate more residential mortgage applications.

The bank received no mortgage applications from any of the 16 low-and moderate-income census tracts in Atlantic County, 14 of which are located in the Atlantic City area. However, there are some mitigating factors that offset the absence of activity in the delineated portions of this MSA. Management states that the lack of mortgage activity in the low- and moderate-income neighborhoods is primarily

attributed to the existence of the Casino Reinvestment Development Authority ("CRDA"). CRDA represents all of the casinos in Atlantic City and is bound by an agreement with the State of New Jersey to provide direct financing and subsidies for housing to low- and moderate-income residents in Atlantic County. Banks cannot compete with the subsidies and direct financing offered by redevelopment companies that have been contracted by CRDA to construct low-income housing in the county.

As reflected in Exhibit 2 on page 11, the demand-adjusted penetration level for home improvement applications in the low- and moderate-income census tracts of this MSA is 1.4 times greater than application activity in non-low- and moderate-income. However, the approval rate in the low- and moderate-income census tracts is less than the approval rate in the non-low- and moderate-income census tracts. There are no low- and moderate-income census tracts in the delineated portion of Cape May County. In the county's non-low- and moderate-income census tracts activity is minimal.

### **SMALL BUSINESS LENDING ACTIVITY**

The bank's record of lending in the Atlantic County portion of the MSA is strong with 22.77 loans per 1,000 small business establishments, but some weaknesses exist in the level of lending in low- and moderate-income census tracts. As shown in Exhibit 3 on page 12, the bank made only 6 loans, 10.5 percent of total small business lending in the delineated portion of the MSA, to businesses operating in low- or moderate-income census tracts. This appears low since 24 percent of the census tracts in Atlantic County are low- and moderate-income. Only one loan was made in Cape May County and it was made to a small business operating outside BONY-NJ's delineated community.

As discussed in the mortgage and home improvement activity portion of this section, part of the explanation for the low level of small business loan penetration in Atlantic County's low- and moderate-income census tracts, which are predominately located in Atlantic City, is the dominant role of CRDA in funding economic development projects.

**MSA 6160 (PHILADELPHIA, PA-NJ)**

No community development loans were extended in MSA 6160. This is reasonable since there are no low- and moderate-income neighborhoods within the delineated portion (sections of Burlington County) of this MSA. Since the delineated portion of this MSA has less than 0.2 percent of the census tracts and owner-occupied units that comprise the total delineated community, it does not contribute significantly to the overall assessment of the geographic distribution of BONY-NJ's credit extensions, credit applications, and credit denials. The retail products in this MSA are those offered throughout the entire delineation.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

**MORTGAGE AND HOME IMPROVEMENT ACTIVITY**

The delineated portion of this MSA has three non-low- and moderate-income census tracts located at the northern tip of Burlington County. BONY-NJ has no branches in this MSA and has experienced limited loan activity. Only one home purchase and one refinance application was received in the last 18 months. There was no home improvement loan activity during this time period.

**SMALL BUSINESS LENDING ACTIVITY**

Only one business loan was made in this MSA during the period under review. The demand for this type of credit could not be determined, since data on the number of small businesses that exist within the delineated portion of this MSA is not available at the census tract level.



**CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS AND CRITERIA THAT PERTAIN SOLELY TO THE CRA PROCESS, DEMOGRAPHICS, AND ECONOMIC FACTORS:**

**I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

**Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.**

Ascertainment efforts in BONY-NJ's delineated community are carried out primarily through: 1) a CRA Advisory Board; 2) a Regional Advisory Board; 3) a formal ascertainment call and other call programs that include meetings with community-based organizations and direct contact with community representatives.

The bank, through its ascertainment efforts, effectively identifies the credit needs of the delineated community, including those of low- and moderate-income neighborhoods and individuals. The determination of outreach initiatives and community credit needs is an on-going process, that involves the board, senior management, the CRA officer, loan officers and bank personnel.

**CRA ADVISORY BOARD ("CAB"):**

The CAB was established by the board of directors to assist in the ascertainment of community credit needs throughout the delineated community. The CAB's members are comprised of community leaders with extensive experience with community based groups, economic development and government agencies, and affordable housing proponents. The purpose of CAB is to help BONY develop credit products and services that meet the credit needs of the diverse community it serves. The board mainly concerns itself with housing and economic development issues particularly in low- and moderate income and blighted areas of the delineated community. The CAB is a useful mechanism through which various community concerns are identified and addressed through product development and targeting.

**REGIONAL ADVISORY BOARD ("RAB"):**

The board has established an RAB within each of the bank's three regions: the northeast region (Bergen, Hudson and Passaic counties); the northwest region (Essex, Morris, Sussex and Warren counties); and, the southern region (Atlantic, Mercer, Middlesex, Monmouth, Ocean and Somerset counties). Each Rab consists of local businessmen. Each RAB augments the bank's regional and executive management communication with business, commercial and economic segments of the delineated community. The regional boards provide an important source of local information regarding credit needs in specific locals.

**CRA CALL PROGRAM:**

A formal call program has been established through which branch managers, regional and local lending officers as well as executive, department and business development officers actively contact community organizations. Staff maintain on-going contact with housing organizations, economic development agencies, religious, business associations and local government officials. Since the last examination, the

contacts included but were not limited to: ACCORN, the Morris County Organization of Hispanic Affairs, the New Jersey Disability and Micro Loan Fund, the Passaic County Economic Development Department, the Bergen County Housing Authority, New Jersey Community Loan Fund, Isles, Inc., Housing and Neighborhood Development Services, New Jersey Citizens Action and New Jersey Neighborhood Preservation.

These meetings are designed to aid management in ascertaining and addressing the credit needs of the various segments of BONY-NJ's delineated community. In many instances, the contacts have resulted in various types of lending relationships. During the last three months of 1994 and the first three months of 1995, the bank made 363 community contacts. A component of the call program, called "CRA Days," includes the CRA Officer's regularly scheduled visits with the regional presidents. Account officers and branch managers also participate in "CRA Days" outreach activities.

**Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

BONY-NJ's Board of Directors ("board") is integrally involved in the bank's CRA policy development and oversight. The board and management have developed an effective, multi-tiered organizational structure for creating and implementing CRA initiatives. The board also reviews management's efforts to carry out the bank's CRA agenda as set forth in BONY's 1994 and 1995 CRA Plans.

**Board of Director Involvement**

The board maintains responsibility for BONY-NJ's CRA program by reviewing and approving the bank's public CRA statement, self assessments and the annual CRA Plan. In addition, the board receives periodic reports from the CRA Committee and an annual full presentation from management on the bank's overall CRA efforts. The board also reviews all CRA reports of examination from its regulatory agency.

**Board of Directors CRA Committee**

The board's CRA Committee is comprised of outside directors and senior executive officers of the bank including the Chairman and Chief Executive Officer and the CRA Officer. The committee chairman reports directly to the full board on all activities of the committee. The committee meets quarterly and is charged with responsibility for keeping the board apprised of the bank's progress in meeting CRA goals and objectives. The committee receives quarterly reports from the bank's senior management that evaluate the level of community development and small business lending, affordable housing initiatives and targeted marketing initiatives.

## II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

### **Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.**

BONY-NJ's marketing activities are comprehensive in scope and effectively reach all communities within its delineated community, including low- and moderate-income areas. In addition, specific campaigns are also implemented to target low- and moderate-income, minority and ethnic communities.

During the last three quarters of 1994 and all of 1995, the bank advertised its mortgage, home equity, home improvement and small business credit products within its delineated community. While New Jersey-based advertisements are the primary vehicles employed, New York Metropolitan area advertisements provide an important source of secondary coverage with newspapers reaching many areas within the delineated community and radio and television coverage reaching up to a ninety mile radius from Manhattan.

The bank employs a multi-media approach which primarily relies upon print and radio advertising. The bank augments its use of traditional media advertising and sales efforts with telemarketing. All advertisements provide a toll-free telephone number through which applications may be made or information obtained. In addition, information about retail deposit and loan products as well as interest rates is provided. These special service lines accommodate both Spanish and English speaking callers.

Brochures, statement inserts, billboards, and branch displays are also used to publicize the bank's loan products. A series of outdoor displays present the bank's home equity and personal loan offerings.

Direct solicitation is the primary method to attract commercial clients including small businesses. The calls are planned based on referrals, inquiries and lists prepared or commercially obtained by the bank. Representatives of the bank personally contact prospects to inform and offer them the line of products and services available.

### **PRINT MEDIA**

A major portion of the BONY-NJ's marketing effort is accomplished through print. In general, the bank utilizes large regional newspapers to advertise its credit products, community publications to promote credit products which target low- and moderate-income and minority areas, and special purpose publications to promote its business products.

#### Daily Newspapers:

The bank promotes its consumer loan and residential mortgage credit products through placement of advertisements in the following daily news publications: The Asbury Park Press, The Record (Hackensack), The Jersey City Journal, The Daily Record (Parsippany), The Star Ledger, The Press of Atlantic City, The Trenton Times, The New Jersey Herald, and The New York Times (New Jersey issue).

In addition, the following three New York City dailies are utilized since these publications have a large New Jersey readership and distribution: The New York Times, The New York Post and The New York Daily News. In combination, all these publications penetrate into each MSA within the bank's delineated community.

### Weekly Publications

To more effectively reach prospective customers in specific areas, the bank utilizes various community weekly papers which include: Princeton Packet, Hamilton Observer, Clifton Dateline, Wayne Today, Parsippany Life, Passaic Trends, North Jersey Herald, Ridgewood News, Teaneck News and the Fairlawn & Garfield Shopper.

### Ethnic-Targeted Publications

To maximize its exposure in targeted low- and moderate-income and minority communities, the bank utilizes several publications which have appeal to minority audiences, particularly those of African-American and Hispanic origins. Targeted low- and moderate-income communities include, but are not limited to, portions of Union City and Newark. Advertisements which provide residential mortgage financing and small business credit products appear in these publications: El Especial, Impacto, El Dario, La Prensa, Noticias Del Mundo, City News. In addition, monthly journals such as: Minority Business and La Voz are utilized.

## **RADIO AND TELEVISION**

In addition to the print media, the bank uses radio, and broadcast and cable television stations to advertise its products. The bank selects stations which have formats that appeal to both general and specific audiences. Included among these are stations with particular appeal to various ethnic and minority segments of the population.

Large Metropolitan-New York stations are used to reach all segments of the market area. They include: WCBS and WINS (News), WFAN (sports), WLTW (Lite Music), WOR (Talk) and WQXR (Classical). The bank uses several New York City radio stations to advertise its mortgage and home equity products to people of Hispanic origins. These stations include: WSKQ (Latin Music), WXLX (Mexican music), WALO (International) and WNYG (Latin music). These stations reach an estimated 90% of the Hispanic population located within the delineated community and present many programs in Spanish as well as English. Smaller local New Jersey radio stations are used to target specific geographic areas, including: WCTC and WMGQ (Middlesex); WMTR and WMTR (Morris and Sussex); WZWU (Monmouth); WOND and WPGF (Atlantic); WKXW and WBUD (Mercer).

Television is used primarily to publicize the bank's personal loan, home equity, and credit card products. New York City commercial stations (WCBS, WNBC, and WABC) are used, since they provide coverage to the entire delineated community. Periodically local cable stations are used to promote these products in specific communities in the market area.

## **MORTGAGE COMPANY MARKETING INITIATIVES**

With the assistance of its affiliate mortgage company, BONY-NJ, advertises its home purchase and refinance products through a wide range of methods. Mortgage applications are solicited through BONY-NJ branch office referrals, mortgage loan originators' contact with real estate professionals, special coordination with community groups, housing seminars, direct mail, and occasional use of print and

broadcast media.

At home mortgage seminars, representatives explain different financing options and methods used to make home ownership more affordable for low- and moderate-income borrowers. These seminars also provide information on credit counseling opportunities. BONY-NJ is an active member of the New Jersey Home Buyers Counseling Coalition, which is a joint effort with several other banks to promote and counsel prospective home buyers.

The Mortgage Company works with community groups that provide homeownership counseling programs. It uses these contacts to assist in its effort to market special credit-related programs to members of the delineated community. Community based organizations are periodically notified by direct mail of the availability of residential credit products, particularly the Community First portfolio product, and the schedule and location of Home Buyers Seminars which target low- and moderate-income individuals and communities.

### **CRA MARKETING INITIATIVES**

BONY-NJ also has established a relationship with a community group in its effort to market special credit-related programs to members of the delineated community. In conjunction with a consumer advocacy group located in Northern New Jersey, the bank promotes home purchase, renovation and construction loan financing programs to low- and moderate-income neighborhoods located throughout the delineation. With the assistance of this group, the bank also sponsored a special canvassing program to promote unsecured home improvement loans within Hackensack.

### **III. COMMUNITY DEVELOPMENT**

**Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

### **SUMMARY OF INSTITUTION'S OPERATIONS IN THE STATE OF NEW JERSEY**

As previously mentioned, BONY-NJ's headquarters is located in West Paterson, which is part of MSA 0875. As of September 25, 1995, the bank had total assets of \$4.1 billion.

The retail and commercial businesses in which the bank operates are very competitive. Competition is provided by both unregulated and regulated financial services organizations, whose products and services span the local market in which the bank conducts operations.

### **COMMUNITY PROFILE**

The following information was obtained from sources that include U.S. Department of Commerce - Bureau of the Census, and Bureau of Labor Statistics. Housing, income and population data was obtained from the 1990 Census Data.

BONY-NJ's delineated community encompasses all of thirteen and portions of three of New Jersey's twenty-one counties. Not included are Hunterdon County in the northwestern portion and Camden,

Gloucester, Salem and Cumberland counties in the southwestern portion of the state. The delineated community includes all of five and portions of three MSAs. Demographic and economic factors such as employment, housing, income and population vary from county to county.

Community contacts and a review of demographic data reveal that within the delineated community there is a relatively low rate of home ownership within low- and moderate-income census tracts and low- and moderate-income families and individuals. In many instances, low- and moderate-income renters are capable of carrying mortgage liabilities with amounts expended for rent, but lack down payments or can not meet conventional underwriting standards. It would appear that institutions willing to provide residential financing with flexible terms could contribute greatly to increasing home ownership among these two groups. The areas relatively high rate of vacant buildings suggests opportunities for banks to provide financing for rehabilitation and community stabilization projects.

### Delineation Demographics

The delineated community has 1,547 census tracts. This represents 76.8 percent of all census tracts in the State of New Jersey. Included within the delineated community are 472 low- and moderate-income and 214 minority census tracts and represent respectively, 30.5 percent and 13.8 percent of all delineated tracts. Low- and moderate-income households comprise 39.3 percent of the community's 2.79 million households, with low-income households accounting for 23 percent and moderate-income 16.3 percent.

The largest concentration of such households is in MSA 5640 (Newark, NJ) and MSA 0875 (Bergen-Passaic, NJ). Within the delineated community, 7.3 percent of the households' incomes fall below the poverty. MSA 5640 (Newark, NJ) and MSA 0875 (Bergen-Passaic, NJ) have 54.3 percent of such households.

The delineated community has a total population of 6,150,000, or 79.6 percent of the State total. The demographic make-up is as follows: White (72.4 percent), Black (13.0 percent), Hispanic (10.5 percent), Asian (3.9 percent) and Other (0.3 percent). Minority residents comprise 27.4 percent of the population, with 74 percent residing in MSA 5640 (Newark, NJ), MSA 0875 (Bergen-Passaic, NJ) and MSA 3640 (Jersey City, NJ). These MSAs' also contain 84 percent of the delineated community's non-english speaking population.

The delineated community contains 2,452,950 housing units, of which 57.3 percent are owner-occupied, 34.0 percent rental units and 8.7 percent vacant dwellings. The greatest concentration of housing, 28.6 percent, is in MSA 5640 (Newark, NJ). MSA 0875 (Bergen-Passaic, NJ) has 19.9 percent. The median age for all housing is 37 years, with median ages ranging within MSAs from 30 to 47 years. Thirty-six percent were built prior to 1950, with the greatest concentration (60 percent of such units) in MSA 3640 (Jersey City, NJ). The median value of owner-occupied housing in the area is \$175,381 ranging within MSAs from \$107,803 to \$212,905. Rental housing consists of 833,953 units with a median rent of \$603 per month. Rents range within MSAs from \$525 to \$678. More than 69 percent of rental units are concentrated in three MSAs', 32.4 percent in MSA 5640 (Newark, NJ), 20.1 percent in MSA 0875 (Bergen-Passaic, NJ) and 16.9 percent in MSA 3640 (Jersey City, NJ).

Home ownership rates in low- and moderate-income census tracts in the delineated community are substantially below the average for the delineated community and the areas middle- and upper-income census tracts. The delineated community's average home ownership rates are: 15.9 percent for low-income; 38.3 percent for moderate-income; 58.9 percent for middle-income; and, 77.1 percent for upper-

income census tracts. The average home ownership rate was 57.3 percent for the entire delineated community. Conversely, the percentage of people who rent is much higher in low- and moderate-income census tracts than in the delineated moderate- and upper-income census tracts.

### Employment and the Economy

The delineated community's labor force consists of 3,311,781 workers of which 193,869 are unemployed. More than fifty percent of workers are located in two MSAs. MSA 5640 (Newark, NJ) has 30.1 percent and MSA 0875 (Bergen-Passaic, NJ) has 21.1 percent. While AT&T Corp. has embarked on a job reduction plan designed to cut 6,000-7,000 jobs in the state, this action is expected to have a varying impact on the regions where BONY-NJ conducts its business. The unemployment rate for the state increased from 6.8 percent in February 1995 to 7.0 percent in January 1996.

In MSA 5640 (Newark, NJ), for the third consecutive year, total nonfarm wage and salary employment advanced 0.2 percent. Pent-up consumer spending continued to improve the employment picture in the wholesale/retail trade division over the year. The expansion of the Mall at Short Hills in Millburn provided a major boost for employment, as did the continued expansion of "category" superstores along major retail shopping corridors in the labor area this year. The 1995 loss of 4,400 manufacturing jobs was caused by the on-going shift away from a manufacturing-based economy. The merger between Nutley-based Hoffmann-LaRoche and Syntex of Palo Alto, CA, as well as the Madison-based American Home Products Corp.'s acquisition of Wayne (Passaic)-based American Cyanamid have affected unemployment in the labor area.

FOR MSA 0875 (Bergen-Passaic, NJ), economic improvement resulted in higher employment in Bergen County over the year. Total nonfarm wage and salary payrolls rose 1.3 percent. The job increases are largely a product of business services. Wholesale/retail trade employment also rose benefiting from recently opened stores such as T.J. Maxx in Ramsey and Barnes & Noble in Paramus. Passaic County, however, continued a long-term decline. Job losses were concentrated in manufacturing in 1995. An estimated 1,000 jobs were eliminated at the former headquarters of American Cyanamid Co. in Wayne due to a merger with American Home Products.

In MSA 5190 (Monmouth-Ocean, NJ) and MSA 0560 (Atlantic-Cape May, NJ), the pace of job growth slowed considerably during the 12-month period ending January 1996 as nonfarm payrolls advanced by 6,500 or exactly one-half the number of jobs added during the prior 12-month period. Despite this overall slowing in job growth since January 1995, the coastal region created jobs at a rate that was three times faster than the state as a whole (1.3 percent versus 0.4 percent, respectively). Setbacks came when AT&T Bell Laboratories laid off 2,600 employees through voluntary separation packages and the elimination of 350 positions at Atlantic Electric and 900 factory jobs at the Whitehall-Robins pharmaceutical plant.

In MSA 3640 (Jersey City, NJ), manufacturing continued its long-standing downward trend and lost another 1,400 jobs over the year. The most notable setback was when Bidermann Industries closed its warehouse and corporate offices in Secaucus. Manufacturing could experience a leveling off, however, since The New York Daily News' printing plant in Jersey City is near completion employment is expected to rise 1,100 in July 1996 when the plant opens.

**Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.**

Municipal Lending Activities

As of December 31, 1995, BONY-NJ's municipal securities portfolio totaled \$52.3 million with \$16.4 million or 31 percent invested within the bank's delineated community.

Charitable Contributions

During the 18-month period ending December 31, 1995, the bank made contributions to various civic, charitable, cultural and community based organizations totaling \$190 thousand. Of this total \$52.7 thousand was contributed to community groups that provide affordable housing and economic development services directed to low-and moderate-income neighborhoods.



APPENDIX A  
**SCOPE OF EXAMINATION**

|   |  |  |  |
|---|--|--|--|
| <b>SCOPE OF EXAMINATION : FULL SCOPE EXAMINATION INCORPORATING TRADITIONAL GUIDELINES.</b>  |  |  |  |
| <b>TIME PERIOD REVIEWED</b> 4/1/94 TO 12/30/95  |  |  |  |
| <b>FINANCIAL INSTITUTION</b><br><u>Bank of New York, West Paterson New Jersey</u>   |  |  | <b>PRODUCTS REVIEWED</b><br><u>Small Business</u><br><u>Home Improvement Loans</u> |
| <b>AFFILIATE(S)</b> <b>AFFILIATE RELATIONSHIP</b> <b>PRODUCTS REVIEWED</b>  |  |  |  |
| <u>Bank of New York Mortgage Company</u>  | <u>Bank affiliate</u>  |  | <u>Mortgage loans</u>  |
| <b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>   |  |  |  |
| <b>ASSESSMENT AREA</b>  | <b>TYPE OF EXAMINATION</b>   | <b>BRANCHES VISITED</b>                      | <b>OTHER INFORMATION</b>   |
| <b>NEW YORK</b><br><u>MSA 5640 (Newark, NJ)</u><br><u>MSA 0875 (Bergen-Passaic, NJ)</u><br><u>MSA 5190 (Monmouth-Ocean, NJ)</u><br><u>MSA 5015 (Middlesex-Somerset-Hunterdon, NJ)</u> | <u>On-site</u><br><u>On-site</u><br><u>On-site</u><br><u>On-site</u> | <u>3</u><br><u>4</u><br><u>2</u><br><u>1</u> | <u>Loan products offered in all areas.</u>   |

|   |                |          |  |
|---|----------------|----------|--|
| <u>MSA 3640</u><br><u>(Jersey City, NJ)</u>       | <u>On-site</u> | <u>1</u> |  |
| <u>MSA 8480</u><br><u>(Trenton, NJ)</u>           | <u>On-site</u> | <u>0</u> |  |
| <u>MSA 0560</u><br><u>(Atlantic-Cape May, NJ)</u> | <u>On-site</u> | <u>0</u> |  |
| <u>MSA 6160</u><br><u>(Philadelphia, PA-NJ)</u>   | <u>On-site</u> | <u>0</u> |  |