

PUBLIC DISCLOSURE

JULY 29, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**GOTHAM BANK OF NEW YORK
02-36-5185**

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

FEDERAL RESERVE BANK OF NEW YORK

**33 LIBERTY STREET
NEW YORK, NEW YORK
10045**

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

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 **Gotham Bank of New York** ("Gotham") prepared by the **Federal Reserve Bank of New York** on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of **July 29, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Gotham's CRA performance is assessed as "Satisfactory." The assessment is based on the following performance criteria: 1) a loan to deposit ratio of 40 percent, which is slightly less than its peer group institutions and local competitors; 2) a majority of loans (55 percent) extended to small and medium sized businesses operating within the bank's assessment area; 3) a satisfactory distribution of loans to businesses of different sizes; and 4) a reasonable distribution of loans within the bank's assessment area.

The following table indicates the performance level of Gotham with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	GOTHAM PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution		X	

of Loans			
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Gotham is a single office institution, which conducts business in mid-town Manhattan (New York County) at 1412 Broadway. As of March 31, 1996, Gotham reported total assets of \$100.3 million, deposits of \$84.6 million, and loans of \$28.3 million. The institution has no financial or legal impediments which would prevent its ability to meet the credit needs of its assessment area.

Gotham offers a limited line of deposit and transaction services to the public. Credit products consist primarily of short-term secured financing, usually with a twelve month maturity, to small and mid-sized businesses located in the New York Metropolitan area. The institution also offers term financing of up to a five year maturity and commercial letters of credit. No residential mortgages or other consumer financing is offered by the bank.

A review of Gotham's lending activity since the last examination reveals that credit is concentrated to manufacturers, wholesalers, and importers involved in the garment, fur, rug, and jewelry industries. The most common loan purpose is for working capital, including the financing of accounts receivable and inventory. Other loan purposes include loans for the purchase of office equipment, commercial investment in real estate, debt consolidation, business expansion, business acquisition, auto lease, and mortgage warehouse financing. Commercial borrowers generally have annual sales between \$2 to \$5 million. However, loans are extended to businesses with annual sales of less than \$1 million.

DESCRIPTION OF ASSESSMENT AREA (Portion of MSA 5600)

The bank's assessment area was expanded since the last examination to better reflect its lending activities. The assessment area covers approximately two thirds of Manhattan (New York County), and includes all of Manhattan from the Hudson River to the East River south of 86th Street. This area of Manhattan mainly consists of multi-family residences, commercial lofts, and office buildings with retail establishments on the ground floor. Based on U.S. Bureau of the Census' 1992 County Business Patterns, there are 96,502 industrial and commercial establishments in New York County, 90,881 (94 percent) which employ fewer than 50 individuals. These establishments employ 1,898,256 individuals with the service industry accounting for 40 percent of total employment, finance, insurance, and real estate 23 percent, and retail trade 10 percent. The unemployment rate in the area was 8.1 percent in 1994.

Based on the 1990 Census data, 44 of the 162 tracts comprising Gotham's assessment area are considered low- and moderate-income. Twenty-three percent of the population of 780,000 are considered low- and moderate-income. There are 97,000 owner-occupied housing units and 332,000 renter-occupied housing units within Gotham's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The CRA examination of Gotham Bank of New York covered the period from May 1, 1995 through July 29, 1996. The CRA performance of the bank is "Satisfactory." This rating is based on the assessment of the bank as follows:

Loan To Deposit Ratio

According to the Uniform Bank Performance Report, Gotham's average loan-to-deposit ratio is 40 percent, which when compared to a nation-wide peer average of 66 percent would seem to indicate a lack of aggressive lending effort. However, when the comparison is limited to a small number of similarly situated institutions operating in the same geographical area, Gotham's loan-to-deposit ratio is only slightly below the average at 46 percent. In addition, the bank's community development lending enhances its performance in this assessment category.

Community development lending consists of a \$250 thousand line of credit to New York Business Development Corporation, a State chartered Small Business Development Company which acts as a compliment to banks in providing long-term working capital, equipment, and real estate loans to small businesses in New York State; a \$56 thousand deposit to a Brooklyn-based bank that was chartered to lend primarily to developers of low income housing in New York City; and \$1.2 million in letters of credit to a for profit construction company which specializes in constructing affordable housing in the inner-cities of large metropolitan areas of the East Coast. The letters of credit support the construction of affordable housing for senior citizens and other community development projects in New York City. This level of performance meets the standard for a satisfactory.

Lending in the Assessment Area

A sample of business loans made between May 1, 1995 and June 30, 1996 were reviewed. Of the 139 business loans sampled, a majority (55 percent) were made to borrowers whose businesses operates within the bank's assessment area. This level of performance meets the standards for a satisfactory.

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

As previously mentioned, the bank does not offer consumer loans. The bank's distribution of lending to businesses of different sizes meets the standards for satisfactory performance. Of the small business loans sampled, 49 percent were to businesses with annual revenues of less than \$1 million. Most of these loans, 63 percent, were for amounts of \$100 thousand or less.

TABLE A

**Distribution of Loans Within Assessment Area By Size of Business
 May, 1995 through June, 1996**

Small Business Lending Summary					
Number of loans to businesses	Number of loans to small businesses*	% of loans to small businesses	\$ Amount of loans to businesses	\$ Amount of loans to small businesses*	% of \$ amount to small businesses
57	28	49%	\$9,037,258	\$1,995,555	22%

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

Geographic Distribution of Loans

Small Business and Farm

Gotham's geographical distribution of business lending within its assessment area is reasonable. Forty-six percent of the loans are to businesses located within low- and moderate-income census tracts. Most of these loans are to businesses engaged in the garment industry. The garment industry in New York City is centered in Manhattan between thirty-fourth and forty-second streets on the west side near the Hudson River. This area contains the business in which the bank specializes.

Response to Complaints

No complaints have been filed with the Federal Reserve Bank of New York since the prior examination, and there are no written complaints in Gotham's public file.

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