

PUBLIC DISCLOSURE

April 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

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

Federal Reserve Bank of New York

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

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

TABLE OF CONTENTS

Institution	
Institution's CRA Rating	BB1
Description of Institution	BB1
Description of Assessment Areas	BB2
Performance Context	BB2
Conclusions With Respect to Performance Criteria	BB5
Community Development Lending.....	BB6
Qualified Investments	BB6
Community Development Services	BB7
Compliance With Antidiscrimination Laws	BB8
Exhibits	
Exhibit 1 -- Assessment Area Demographics	BB5
Exhibit 2 -- Summary of Community Development Lending.....	BB9
Exhibit 3 -- Summary of Qualified Investment Activity.....	BB9
CRA Appendices	
CRA Appendix A: Scope of Examination.....	BB10
CRA Appendix B: Glossary	BB10
CRA Appendix C: Map of Assessment Areas.....	BB13

INSTITUTION

INSTITUTION'S CRA RATING: United States Trust Company of New York is rated “OUTSTANDING.”

For the examination period of March 15, 2000, through March 15, 2002, the outstanding performance of United States Trust Company of New York (“U.S. Trust”) with regard to the Community Reinvestment Act (“CRA”) is based on the following performance criteria: specified under the CRA with respect to the community development test for wholesale institutions.

- U.S. Trust exhibited high levels of community development loans, qualified investments and community development services.
- The bank exhibited excellent responsiveness to credit and community development needs in its assessment area.

DESCRIPTION OF INSTITUTION

Headquartered in New York, New York, U.S. Trust is a state-chartered banking institution providing investment management, private banking and fiduciary services to high net worth individuals and institutions throughout the New York area. The bank’s assets totaled \$5.8 billion as of December 31, 2001, with net loans and leases of \$3.7 billion and total deposits of \$4.1 billion.

The bank does not extend home mortgages, small business loans or consumer credit to retail customers or the public in general. The bank does, however, originate loans as an accommodation to its private banking clientele. Accordingly, the Board of Governors of the Federal Reserve (“the Board”) designated U.S. Trust as a wholesale bank on October 30, 1996. The designation was reaffirmed at this examination.

U.S. Trust is the principal subsidiary of the U.S. Trust Corporation, a bank holding company also based in New York City. Corporate assets totaled \$7.2 billion as of December 31, 2001. The corporation’s subsidiary banks and savings association conduct trust activities primarily, and they are located in California, Connecticut, Florida, New Jersey, Oregon, Pennsylvania and Texas, as well as in New York.

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

DESCRIPTION OF ASSESSMENT AREA

Based on six U.S. Trust locations -- four in Manhattan, one in Garden City, New York (Nassau County), and one in Jersey City, New Jersey (Hudson County) -- the bank has designated as its assessment area portions of Consolidated Metropolitan Statistical Area ("CMSA") 5602 (New York-Northern New Jersey-Long Island, NY-NJ-CT-PA). They are:

- Part of Primary Metropolitan Statistical Area ("PMSA") 5600 (New York, NY), consisting of the New York City counties of the Bronx, Kings (Brooklyn), New York (Manhattan), Richmond (Staten Island) and Queens;
- Part of PMSA 5380 (Nassau-Suffolk, NY) consisting of Nassau County; and
- PMSA 3640 (Jersey City, NJ), consisting of Hudson County.

The assessment area is in compliance with the requirements Section 228.41 of Regulation BB. A map of the assessment area is on page BB13 in the appendices.

On February 28, 2002, United States Trust Company of New Jersey, which operated offices in Princeton and Morristown, was merged into U.S. Trust. Because the activity at this examination did not include transactions after December 31, 2001, the expanded assessment area resulting from the merger was not used at this evaluation.

U.S. Trust's previous CRA examination was conducted as of April 3, 2000, at which time the bank received an overall rating of "outstanding." There are no financial or legal factors that would keep the bank from fulfilling its responsibilities under the CRA.

Performance is evaluated in terms of the demographic and economic context in which it the bank operates. The data used to describe U.S. Trust's assessment areas and evaluate the bank's performance context was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of the Census, 1990 and 2000, the U.S. Department of Labor, and the U.S. Department of Housing and Urban Development ("HUD").

PERFORMANCE CONTEXT

Demographic Characteristics

According to the 1990 Census, the population in the CMSA 5602 (New York-Northern New Jersey-Long Island, NY-NJ-CT-PA) assessment area is approximately 9.2 million, which is about 47 percent of the total CMSA population. Eighty percent of the assessment area population resides in the New York City portion of PMSA 5600 (New York, NY). Approximately 14 percent of the assessment area population is located in the Nassau County portion of PMSA 5380 (Nassau-Suffolk, NY) and about 6 percent is in Hudson County in PMSA 3640 (Jersey City, NJ).

The 2000 Census indicated that the assessment area population of CMSA 5602 is approximately 10 million, a 9 percent increase since 1990.

Income Characteristics

The HUD-adjusted median family income for the CMSA 5602 assessment area averaged \$64,696 in 2000, based on a median family income of \$62,800 for New York City, \$83,000 for Nassau-Suffolk and \$60,100 for Hudson County. These figures show increases from the 1990 Census when the assessment area median income was \$37,541. In 1990, Richmond County had the highest median family income at \$50,734, while Bronx County had the lowest median income level at \$25,479.

In 1990, 82 percent of all low- and moderate-income (“LMI”) families in the CMSA 5602 assessment area resided in the New York City portion of PMSA 5600. Of the LMI geographies, 733 or 93 percent are located in the PMSA 5600 (New York, NY) portion of the assessment area. Most of the LMI tracts are located in Bronx and Kings Counties.

Housing Characteristics

Overall, the CMSA 5602 assessment area has approximately 3.7 million housing units, of which 1.2 million or 33 percent are owner-occupied. Of all housing units in the PMSA 5380 (Nassau-Suffolk, NY) portion of the assessment area, the level of owner-occupancy is high at 78 percent compared with that of the CMSA. In contrast, the level of owner-occupancy in the PMSA 5600 (New York, NY) portion of the assessment area is only 27 percent. Most of the housing units in Nassau County are single-family units, while multifamily structures of five units or more are predominant in the New York City portion of the assessment area.

Housing costs throughout the CMSA are very high, especially in relation to income levels, indicating a demand for affordable units, especially rentals. According to the 1999 New York City Housing and Vacancy Survey, the monthly rent averages \$782, but that figure includes rent-protected units. Average market rents are significantly higher, particularly in Manhattan.

During the examination period, real estate prices increased in the assessment area portion of the CMSA. Price increases in 2000 and 2001 caused current selling prices to exceed the 1990 Census median housing value figure (\$190 thousand) in most areas. According to the Corcoran Report, in Manhattan during 2000 the average sales price was \$754 thousand, up from the 1999 figure of \$614 thousand. Home sales were also very strong in the city’s outer boroughs. In Hudson County, New Jersey, the median sales price increased from \$153 thousand in 2000 to \$163 thousand in 2001.

Community contacts made during the examination period confirmed these needs, and indicated that most affordable housing is provided by community development organizations, many of which operate in the assessment area.

Labor, Employment and Economic Characteristics

During the examination period, the New York City economy contracted from its historic expansion in the 1990s. “Dot-com” and stock market declines caused thousands of layoffs. The tragic events of September 11, 2001, intensified the decline, with many businesses moving to Westchester, New Jersey, Long Island and Connecticut. Unemployment in New York City increased from 6.3 percent in March 2000 to 7.7 percent in March 2002. In Nassau County, the unemployment rate grew from 2.6 percent in March 2000 to 4 percent in March 2002. In New Jersey, Hudson County unemployment increased from 5.6 percent in March 2000 to 7.8 percent in March 2002.

From April 2001 to April 2002, the number of private sector jobs in New York State decreased by 107,800 or 1.5 percent, mostly in manufacturing and finance, insurance and real estate. Employment also decreased in transportation and public utilities, wholesale trade, services, construction and retail trade. Governmental employment, however, increased during this period.

New York’s economic conditions indicate a need for loans to help revitalize businesses in the city and develop new job opportunities. Job re-training programs are also important.

The assessment area provides ample community development loan and investment opportunities that help to meet both affordable housing and economic development needs. Local banks actively pursue opportunities for loans and investments including grants to strengthen operational capacity of financial intermediaries.

SCOPE OF EXAMINATION

The evaluation of U.S. Trust covers the period of March 15, 2000, through March 15, 2002. The bank’s performance was evaluated using the *Interagency Procedures and Guidelines for Wholesale and Limited Purpose Institutions*. Under the investment test section of this report, funding of charitable grants and donations came from the bank as well as its affiliates, U.S. Trust Foundation and the Schwab Corporation.

EXHIBIT 1
Assessment Area Demographics
PMSA 5600, PMSA 5380 and PMSA 3640

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	318	12.01	284,124	12.68	123,433	39.67	569,573	25.43
Moderate-income	468	17.68	435,222	19.43	94,522	30.38	369,029	16.47
Middle-income	1,053	39.78	915,444	40.87	72,467	23.29	444,102	19.82
Upper-income	734	27.73	605,364	27.02	20,747	6.67	857,450	38.28
Total Assessment Area	2,647¹	100.0	2,240,154	100.0	311,169	100.0	2,240,154	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	#	%	#	%	
Low-income	415,820	21,991	1.80	386,353	16.52	21,168	10.15	
Moderate-income	695,794	106,213	8.68	573,419	24.52	39,076	18.74	
Middle-income	1,413,976	578,671	47.28	801,287	34.27	66,438	31.87	
Upper-income	1,141,596	516,974	42.24	576,539	24.65	81,684	39.18	
Total Assessment Area	3,668,143²	1,223,849	100.0	2,338,483³	100.0	208,488⁴	100.0	
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million				
	#	%	#	%	#	%		
Low-income	23,571	6.31	19,249	6.30	2,574	5.65		
Moderate-income	60,824	16.27	48,794	15.97	7,812	17.15		
Middle-income	128,116	34.28	107,482	35.17	12,417	27.26		
Upper-income	152,488	40.80	124,059	40.59	20,415	44.81		
Tract not reported	8,767	2.35	6,027	1.97	2,337	5.13		
Total Assessment Area	373,766⁵	100.0	305,611	100.0	45,555	100.0		

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The Community Development Test is rated: “OUTSTANDING.”

Based on the size of the institution and available opportunities, U.S. Trust provided a high level of community development loans, qualified investments and community development services that were responsive to credit and community development needs in the bank’s assessment area.

¹ The total number of tracts includes 74 tracts labeled “NA” (not available).

² The total number of housing units includes 957 units in tracts labeled “NA” (not available).

³ The total number of rental units includes 885 units in tracts labeled “NA” (not available).

⁴ The total number of vacant units includes 122 units in tracts labeled “NA” (not available).

⁵ The sum of business under \$1 million and businesses over \$1 million does not equal the assessment area’s total number of businesses because 22,600 businesses did not report revenues.

Community Development Lending

U.S. Trust's community development lending performance was excellent. For details, see Exhibit 2. During the examination period, community development loans totaled \$6.3 million, of which \$2.6 million or 41 percent represented new borrowings since the previous examination. In addition, U.S. Trust extended two letters of credit totaling \$2 million to a nationwide social service agency and to an LMI housing developer in New York City. Total loans at this examination represent a 15 percent increase since the previous examination.

Most community development lending activity was concentrated in New York City where loans totaled \$4.6 million or 73 percent of total activity. Within the assessment area, the highest concentration of community development lending opportunities are in New York City. Examples of U.S. Trust's community development lending in CMSA 5602 include:

- A \$3 million credit line to a nonprofit social service agency serving LMI families and individuals on the Lower East Side that provides temporary housing to 100 families as well as supportive services including an employment program and intensive case management.
- A \$740 thousand credit line to a statewide economic development corporation that promotes small business development.
- A \$500 thousand term loan to an organization that provides loans to nonprofit organizations.
- A \$200 thousand credit line to a nonprofit organization operating three community residences for mentally ill, formerly homeless residents and patients with HIV, which provides housing and intensive support services including employment training for 40 residents.

A major portion of U.S. Trust's community development lending supported initiatives providing community services to LMI individuals. Community contacts conducted during the examination period indicated the need for all types of community development funds, including funds for social services, loans for economic development and funds in support of affordable housing. The bank's community development lending was responsive to assessment area needs.

Approximately 43 percent or \$2.7 million of the bank's lending activity was made on an indirect basis to intermediaries supporting affordable housing and economic development. Direct lending activities accounted for \$3.6 million or 57 percent of total commitments.

Qualified Investments

U.S. Trust exhibited excellent responsiveness to the credit and community development needs of its assessment areas through a high level of investments in facilities and organizations that support affordable housing, revitalization and stabilization, and economic development. For

details, see Exhibit 3. These investments had a positive impact on the assessment area and were responsive to identified community needs.

U.S. Trust's qualified investments totaled \$23.8 million, an increase of 59 percent since the previous examination. Approximately \$22.3 million or 94 percent of investments were new since the last examination. Of total investments, \$978 thousand (4 percent) represented charitable grants and contributions to organizations that support community development projects and programs for LMI persons and areas. Most investments (\$20.6 million or 87 percent) were concentrated in mortgage-backed securities for which the collateral is loans to LMI borrowers. Mortgage-backed securities provide needed liquidity to lending institutions so that additional mortgages can be funded.

Of total investments, \$8.6 million or 36 percent were in PMSA 5600 (New York, NY), \$11.7 million or 49 percent were for PMSA 5380 (Nassau-Suffolk, NY), and \$2.3 million or 10 percent for PMSA 3640 (Jersey City, NJ). The remaining 5 percent were made to regional or New York statewide organizations.

Approximately \$1.6 million or 7 percent of total investments were low-income housing tax credits, considered complex because they require a substantial amount of time and expertise related to accounting issues. All three tax credit investments were made through the New York Equity Fund. This fund was formed to create an investment pool for corporate equity investments supporting low-income housing development.

In addition, the bank made \$254 thousand in deposits with community development financial institutions ("CDFIs") enabling them to provide mortgage, consumer and small business credit in primarily LMI communities.

Community Development Services

U.S. Trust provided an excellent level of community development services to community development organizations in its assessment areas. While a significant portion of the bank's community development service activities assisted organizations supporting community services for LMI individuals, such activity also helped organizations supporting other categories of community development, as shown in the table below.

Community Development Services	
Category	Number of Activities
Community Services targeted to LMI individuals	24
Affordable Housing for LMI individuals and areas	6
Activities that promote Economic Development	5
Activities that Revitalize or Stabilize LMI geographies	8
TOTAL	43

Activities include technical assistance provided by officers and employees such as fundraising, investment advisory services and trustee activities. Organizations receiving such assistance include Brooklyn Legal Services Corporation A, the Children's Health Fund, the Community

Preservation Corporation, Per Scholas, Inc., the Salvation Army of New York, the Bridge Fund of New York, Neighborhood Housing Services of New York and the New York Community Investment Corporation.

U.S. Trust participates in a mentoring program that includes a work-study program providing 16 high school seniors from LMI families in New York City and Jersey City with job training and education in banking operations. The program places some students in the bank as permanent employees. Participating high schools include Jamaica High School, Roosevelt High School, Cleveland High School, JFK High School, and Ferris High School in Jersey City.

In addition, U.S. Trust provided meeting facilities for 15 CRA-related conferences, fundraisers, and meetings for 13 nonprofit community organizations.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

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

EXHIBIT 2		
Summary of Community Development Lending		
March 15, 2000 – March 15, 2002		
CMSA 5602 Assessment Area	Commitment('000s)	%
PMSA 5600 (New York, NY)	\$4,612	73%
PMSA 5380 (Nassau-Suffolk, NY)	250	4%
PMSA 3640 (Jersey City, NJ)	0	0%
CMSA 5602 Subtotal	4,862	77%
Statewide	1,416	23%
TOTALS	\$6,278	100%
Direct Activity	3,570	57%
Indirect Activity	2,708	43%
TOTAL ACTIVITY	\$6,278	100%
Affordable Housing	349	6%
Community Service	3,300	53%
Economic Development	1,363	22%
Multiple Designation	1,266	20%

EXHIBIT 3						
Summary of Qualified Investment Activity						
March 15, 2000 – March 15, 2002						
Assessment Area CMSA 5602	Prior Period Investments ('000s)	%	Current Period Investments ('000s)	%	Total Investments ('000s)	%
PMSA 5600 (New York, NY)	\$1,255	80%	\$7,309	33%	\$8,564	36%
PMSA 5380 (Nassau-Suffolk, NY)	0	0%	11,713	53%	11,713	49%
PMSA 3640 (Jersey City, NJ)	0	0%	2,315	10%	2,315	10%
CMSA 5602 Subtotal	1,255	80%	21,337	96%	22,592	95%
Statewide & Regional Subtotal	321	20%	926	4%	1,247	5%
TOTALS	\$1,576	100%	\$22,263	100%	\$23,839	100%
Direct Activity	0	0%	978	4%	978	4%
Indirect Activity	1,576	100%	21,285	96%	22,861	96%
TOTAL ACTIVITY	\$1,576	100%	\$22,263	100%	\$23,839	100%
Affordable Housing	1,142	72%	21,041	95%	22,183	93%
Economic Development	78	5%	78	<1%	156	<1%
Revitalization & Stabilization	35	2%	115	<1%	150	<1%
Multiple Designation	321	20%	1,029	5%	1,350	6%

CRA APPENDIX A

SCOPE OF EXAMINATION

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

CRA APPENDIX B

GLOSSARY

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

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

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

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

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

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

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

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

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

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

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

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

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

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

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

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

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

INSERT

CRA Appendix B assessment area MAP