

PUBLIC DISCLOSURE

Date of Evaluation: January 16, 1996

COMMUNITY REINVESTMENT ACT

PERFORMANCE EVALUATION

Name of Depository Institution: The Bank of New York

Institution's Identification Number: 02-36-4880

**Address of Institution: 48 Wall Street,
New York, NY 10286**

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** 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 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 and the Non-Metropolitan Statewide 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's ("BONY's") level of compliance with the Community Reinvestment Act is assessed as "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 subsidiary, 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 and residential mortgage, home improvement and small business lending penetration in certain communities could be improved. (See the following sections of the disclosure for details: Conclusions With Respect To Performance Categories on page 7 and Metropolitan Statistical Areas and Non-Metropolitan Statewide Areas analyses on page 23.)

DESCRIPTION OF INSTITUTION:

BONY's headquarters is located in New York City, which is part of MSA 5600 (New York, NY). At September 30, 1995, the bank's assets totaled \$41 Billion. The bank has a network of 268 branch offices and is a lender to major U.S. and multinational corporations as well as to mid-size companies. It is a provider of retail banking services to 13 counties in New York State. Through its subsidiary, the Bank of New York Mortgage Company ("Mortgage Company"), BONY originates and services single and multifamily mortgages.

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

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

REASONABLENESS OF DELINEATED COMMUNITY

BONY's delineation consists of one geographic area within New York State where it originates a substantial majority of its loans. The delineated community's boundaries, as defined by BONY, appear to be reasonable and are 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 four metropolitan statistical areas ("MSAs") and one non-metropolitan statewide area ("non-MSA") as described below:

- A portion of MSA 5600 (New York, NY), consisting of the Bronx, Kings, New York, Putnam, Queens, Rockland, and Westchester counties. Richmond County is the only portion of this MSA that is not part of the delineated community.

This MSA has the greatest concentration of low- and moderate-income populations. According to 1990 census data, the delineated portion of MSA 5600 has a total population of 8.1 million of which 2.9 million, or 35.8 percent, reside in low- and moderate-income census tracts.

- All of MSA 5380 (Nassau-Suffolk, NY), consisting of Nassau and Suffolk counties.

This MSA has a total population of 2.6 million of which 393 thousand, or 15.1 percent, reside in low- and moderate-income census tracts.

- All of MSA 2281 (Dutchess County, NY). Since the last examination, BONY expanded the delineation to include the entire MSA.

The MSA has a total population of 259 thousand of which 45 thousand, or 17.4 percent,

reside in low- and moderate-income census tracts.

- A portion of MSA 5660 (Newburgh, NY-PA), consisting of Orange County. Pike County, Pennsylvania is the only portion of this MSA that is not part of the delineated community.

The delineated portion of the MSA has a total population of 308 thousand of which 58 thousand, or 18.8 percent, reside in low- and moderate-income census tracts.

- The non-MSA that contains portions of Sullivan and Ulster counties.

This area of the delineation has the lowest concentration of low- and moderate-income populations. The total population is 214 thousand of which 27 thousand, or 12.6 percent, reside in low- and moderate-income block numbering areas (“BNAs”).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CATEGORIES:

The following is a summary of BONY'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 37.

I. COMMUNITY DEVELOPMENT

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

BONY strongly supports community development programs and initiatives throughout its delineation. Since the last examination, the bank has substantially increased its participation in both economic development and affordable housing activities, many of which are innovative projects. However, participation in community development initiatives in the Mid-Hudson Valley (MSA 5660, MSA 2281 and the non-MSA) and Queens County (a portion of MSA 5600) is at a low level.

For the seventeen month period commencing September 1994 through January 1996, BONY's commitments supporting community development total \$160.4 million, with \$159.7 million representing lending and investments and \$765 thousand representing grants and contributions (See Assessment Factor L on page 53 for further details). This represents an increase of 165 percent since the last examination. Loans and equity investments currently outstanding total \$124.3 million. Affordable housing financing totals \$105.9 million or 66 percent of the total lending, with economic development totaling \$53.6 million or 33 percent. Loans to support the operation of community development organizations make up the balance of the bank's lending and investment commitments. New commitments since the last examination constitute \$114 million or 71 percent of the total commitment by the bank.

BONY committed \$21 million in indirect lending to three intermediary organizations serving either all of New York State or multiple MSAs that fall within its delineation. Two of the organizations promote small business development, while the third organization supports housing preservation. Of the remaining financing, 99 percent is concentrated downstate in MSA 5600 (New York, NY) and MSA 5380 (Nassau-Suffolk, NY), with the majority located in New York City (a portion of MSA 5600). New York City received the greatest support because it has the highest concentration of low- and moderate-income populations in the bank's delineation. The remaining community development loans are to programs and projects located in BONY's Mid-Hudson Valley communities: Orange County which is the delineated portion of MSA 5660 (Newburgh, NY), MSA 2281 (Dutchess, NY), and the non-MSA (portions of Sullivan and Ulster counties). While these communities represent only 3.8 percent of the delineation's population residing in low- and moderate-income census tracts or BNAs the level of lending in MSA 5660 and the non-MSA (Sullivan and Ulster counties) should be improved.

Direct lending for affordable housing totaled \$59.6 million or 57 percent of BONY's total direct lending efforts, while direct lending for economic development totaled \$44.3 million or 43 percent.

The following exhibit shows the direct and indirect financing provided by BONY to organizations within each MSA and the non-MSA:

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's lending activity was determined through an analysis of the bank's HMDA data from July 1994 through September 1995, and small business loans originated during the same period. Overall, the analysis demonstrates reasonable application and approval activity for home purchases, refinancings, home improvement, and small business loans throughout the bank's delineation. BONY has made a reasonable effort to help serve the credit needs of low- and moderate-income communities.

From within the delineated community, 53 percent of all HMDA applications and 51 percent of all HMDA approvals were made in MSA 5600. MSA 5380, accounted for 34 percent of all HMDA applications and 35 percent of all HMDA approvals. In the Mid-Hudson Valley communities (the delineated portions of MSA 5660 (Newburgh, NY-PA), MSA 2281 (Dutchess, NY), and the non-MSA communities of Sullivan and Ulster counties), HMDA reportable lending accounts for approximately 13 percent of the bank's overall HMDA activity. Home purchases comprise a significant portion of BONY's HMDA activity in its delineation, 43 percent of total applications and 50 percent of total approvals.

There are 3,111 populated census tracts that contain housing located within BONY's delineated community, of which 882 or 28 percent are low- and moderate-income. The total number of owner-occupied housing units within BONY's delineation is approximately 1.8 million with 205 thousand or 11 percent located in low- and moderate-income areas. HMDA originations in low- and moderate-income census tracts represented approximately 11 percent of the geocoded sample.

Overall, 50 percent (1,117 of 2,229) of non-low- and moderate-income census tracts and 23 percent (202 of 882) of low- and moderate-income census tracts reported home purchase and refinance applications, while 54 percent (1,204 of 2,229) of non-low- and moderate-income census tracts and 28 percent (247 of 882) of low- and moderate-income census tracts reported home improvement application activity.

The following, Exhibits 2 and 3, 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 and non-MSA that comprise the bank's delineation. Exhibit 4 reflects small business lending activity. For the estimate of demand for small business lending in each MSA and non-MSA, the review considered all of the retail and service small business establishments within delineated counties, since the number of business establishments in partially delineated counties was not available.

Exhibit 2
July 1, 1994 - Sept. 30, 1995 Mortgage Activity
By County in Delineation

County	Owner-Occupied Units In:		Total Applications		# of Applications Per 1,000 Units		Total Approvals		# of Approvals Per 1,000 Units	
	Non L&M	L&M *	Non L&M	L&M *	Non L&M	L&M *	Non L&M	L&M *	Non L&M	L&M *
Bronx ¹	60,696	15,124	201	102	3.31	6.74	146	71	2.41	4.69
Kings ¹	160,319	55,524	188	55	1.17	0.99	143	38	0.89	0.68
New York ¹	115,544	12,429	210	20	1.82	1.61	162	13	1.40	1.05
Putnam ¹	22,997	N/A	110	N/A	4.78	N/A	83	N/A	3.61	N/A
Queens ¹	288,131	17,996	201	5	0.70	0.28	153	2	0.53	0.11
Rockland ¹	60,988	235	148	0	2.43	0.00	133	0	2.18	0.00
Westchester ¹	187,399	3,580	977	34	5.21	9.50	780	23	4.16	6.42
MSA 5600 Total	896,074	104,888	2035	216	2.27	2.06	1600	147	1.79	1.40
Nassau ¹	329,165	17,994	292	27	0.89	1.50	229	17	0.70	0.95
Suffolk ¹	276,876	63,471	387	170	1.40	2.68	318	140	1.15	2.21
MSA 5380 Total	606,041	81,465	679	197	1.12	2.42	547	157	0.90	1.93
Orange ¹	61,496	6,978	306	46	4.98	6.59	259	40	4.21	5.73
MSA 5660 Total	61,496	6,978	306	46	4.98	6.59	259	40	4.21	5.73
Dutchess ¹	55,516	6,383	133	14	2.40	2.19	113	12	2.04	1.88
MSA 2281 Total	55,516	6,383	133	14	2.40	2.19	113	12	2.04	1.88
Sullivan ²	11,917	365	34	0	2.85	0.00	28	0	2.35	0.00
Ulster ²	35,651	5,356	34	2	0.95	0.37	29	1	0.81	0.19
Non-MSA Total	47,568	5,721	68	2	1.43	0.35	57	1	1.20	0.17
Total Home Purchase	1,666,695	205,435	2,710	420	1.63	2.04	2,220	323	1.33	1.57
Total Refinancing	1,666,695	205,435	511	55	0.31	0.27	356	34	0.21	0.17
Grand Total Mortgage Activity	1,666,695	205,435	3,221	475	1.94	2.31	2,576	357	1.54	1.74

¹ Entire county is within BONY's delineation.

² Partial county is within BONY's delineation.

Based on 1990 demographic data for the delineated portion of each county that falls within the bank's delineated community.

*** NOTE: LM indicates low- and moderate-income census tracts**

Exhibit 3
July 1, 1994 - Sept. 30, 1995 Home Improvement Activity
By County in Delineation

County	Owner-Occupied Units In:		Total Applications		# of Applications Per 1,000 Units		Total Approvals		# of Approvals Per 1,000 Units	
	Non L&M	L&M *	Non L&M	L&M *	Non L&M	L&M *	Non L&M	L&M *	Non L&M	L&M *
Bronx ¹	60,696	15,124	88	43	1.45	2.84	43	18	0.71	1.19
Kings ¹	160,319	55,524	83	62	0.52	1.12	29	6	0.18	0.11
New York ¹	115,544	12,429	36	15	0.31	1.21	22	3	0.19	0.24
Putnam ¹	22,997	N/A	39	N/A	1.70	N/A	27	N/A	1.17	N/A
Queens ¹	288,131	17,996	485	43	1.68	2.39	215	16	0.75	0.89
Rockland ¹	60,988	235	192	0	3.15	0.00	120	0	1.97	0.00
Westchester ¹	187,399	3,580	526	30	2.81	8.38	334	8	1.78	2.23
MSA 5600 Total	896,074	104,888	1,449	193	1.62	1.84	790	51	0.88	0.49
Nassau ¹	329,165	17,994	641	47	1.95	2.61	457	21	1.39	1.17
Suffolk ¹	276,876	63,471	798	148	2.88	2.33	516	84	1.86	1.32
MSA 5380 Total	606,041	81,465	1,439	195	2.37	2.39	973	105	1.61	1.29
Orange ¹	61,496	6,978	143	25	2.33	3.58	101	16	1.64	2.29
MSA 5660 Total	61,496	6,978	143	25	2.33	3.58	101	16	1.64	2.29
Dutchess ¹	55,516	6,383	125	16	2.25	2.51	88	9	1.59	1.41
MSA 2281 Total	55,516	6,383	125	16	2.25	2.51	88	9	1.59	1.41
Sullivan ²	11,917	365	28	0	2.35	0.00	13	0	1.09	0.00
Ulster ²	35,651	5,356	29	5	0.81	0.93	18	3	0.50	0.56
Non-MSA Total	47,568	5,721	57	5	1.20	0.87	31	3	0.65	0.52
Total	1,666,695	205,435	3,213	434	1.93	2.11	1,983	184	1.19	0.90

¹ Entire county is within BONY's delineation.

² Partial county is within BONY's delineation.

Based on 1990 demographic data for the delineated portion of each county that falls within the bank's delineated community.

*** NOTE: LM indicates low- and moderate-income census tracts**

Exhibit 4
Small Business Lending
By County in Delineation
July 1, 1994 through September 30, 1995

Area Name	Small Business Loans	Small Business Establishments ¹	Loans/1,000 Small Business Establishments	% Loans Within Delineation & In LMI Geographies*	% LMI Geographies*
Bronx ²	32	4,881	6.6	37.5%	58.0%
Kings ²	69	12,165	5.7	72.5%	43.1%
New York ²	472	30,799	15.3	17.6%	46.6%
Putnam ²	11	863	12.8	0.0%	0.0%
Queens ²	205	12,034	17.0	8.8%	15.5%
Rockland ²	406	3,141	129.3	3.2%	7.1%
Westchester ²	1,037	11,074	93.6	10.4%	10.0%
MSA 5600	2,232	74,957	29.8	12.7%	34.0%
Nassau ²	537	17,883	30.0	6.9%	8.9%
Suffolk ²	633	14,815	42.7	17.4%	21.8%
MSA 5380	1,170	32,698	35.8	12.6%	15.8%
Orange ²	222	2,899	76.6	18.5%	22.4%
MSA 5660	222	2,899	76.6	18.5%	22.4%
Dutchess ²	158	2,601	60.8	29.1%	23.5%
MSA 2281	158	2,601	60.8	29.1%	23.5%
Sullivan ³	20	764	26.2	0.0%	5.6%
Ulster ³	36	1,808	19.9	16.7%	20.0%
Non MSA	56	2,572	21.8	10.7%	15.9%
Total	3,838	115,727	33.2	13.7%	29.8%

¹ The number of retail and service establishments located throughout each respective county with revenues less than \$1 million. Source: 1992 Economic Census of Retail Trade and 1992 Economic Census of Service Industries. U.S. Department of Commerce, Bureau of the Census.

² Entire county

³ Partial county is within BONY's delineation.

*** NOTE: LMI indicates low- and moderate-income census tracts.**

HMDA Lending Summary

As reflected in Exhibit 2 on page 10, on a demand-adjusted basis the overall rate for both mortgage applications and approvals (home purchase and refinance applications) is moderately stronger in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. Mortgage application and loan approval activity in low- and moderate-income census tracts is 1.2 times stronger for applications and 1.1 times stronger for approvals than such activity in non-low- and moderate-income census tracts. At the MSA and non-MSA level, the analysis shows that only Queens County and the non-MSA have a weak level of lending.

While the overall rate of home improvement applications is stronger in low- and moderate-income census tracts than in non-low- and moderate-income census tracts, when analyzed on a demand-adjusted basis, credit extended in low- and moderate-income areas is moderately less. This activity is illustrated in Exhibit 3 on page 11. The level of home improvement applications in low- and moderate-income census tracts is 1.1 times greater. However, the demand-adjusted level for loan approvals is 1.3 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts.

Small Business Lending

The geographic distribution of BONY's small business lending was determined through an analysis of 98 percent of the small business loans originated during the 15-month period ending September 30, 1995. Overall, 79.6 percent or 3,838 out of 4,823 small business loans geocoded were made within BONY's delineation.

The bank's demand-adjusted penetration levels range from reasonable to high levels of lending throughout the various areas in the delineation. Originations in low- and moderate-income census tracts represent approximately 14 percent of the geocoded sample. The bank achieved penetration levels of small business lending that appear proportional to the number of low- and moderate-income census tracts within each MSA, with the exception of MSA 5600 (New York, NY).

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

BONY's services, through its branch and ATM network, are reasonably accessible to most segments of its delineated community. The bank has no branches in the Bronx and Kings counties. However, this portion of the bank's delineation receives support through direct sales activities conducted by the Mortgage Company and the bank's real estate and commercial lending divisions. Telemarketing through the bank's toll-free service lines and direct mail is also used to make the bank's products and services accessible to individuals residing in these counties.

BONY has not opened a branch office in many years. Since the last examination, BONY closed nine unprofitable branches. BONY's branch closings, which are done in accordance with a formal written branch policy, do not appear to have 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 the branch closings. Each branch provides the services needed by its surrounding community.

The following exhibit shows the number of closed branches by MSA and respective county.

**Exhibit 5
Number of Closed Branches**

County/MSA	Number of Branches Closed	Number In Low/Mod Tracts/BNAs
Rockland	1	0
Westchester	5	2
New York MSA 5600	6	2
Suffolk	2	1
Nassau- Suffolk MSA 5380	2	1
Orange	1	0
Newburgh MSA 5660	1	0
<u>Total</u>	<u>9</u>	<u>3</u>

BONY has a network of 268 branches, with 38 (14 percent) located in low- and moderate-income geographies. Exhibit 6 below details the number of branches by county, MSA, and non-MSA.

Exhibit 6
Number of Branches By County

County/MSA	Number of Branches	Number In Low/Mod Tracts/BNAs
Bronx	0	0
Kings	0	0
New York	18	4
Putnam	1	N/A
Queens	17	1
Rockland	27	0
Westchester	68	9
MSA 5600 Total	131	14
Nassau	50	5
Suffolk	47	9
MSA 5380 Total	97	14
Orange	17	4
MSA 5660 Total	17	4
Dutchess	16	5
MSA 2281 Total	16	5
Sullivan	3	0
Ulster	4	1
Non-MSA Total	7	1
Total	268	38

BONY's automated teller services are available through the Cirrus and NYCE networks. Within this electronic transfer system, BONY customers can use any member bank's ATM services to conduct business with BONY. The bank maintains a twenty-four hour service center available by telephone which provides information on the types of financing, terms, payment schedule, balance, and other information about the bank's products. The bank provides Spanish speaking representatives at some branches and at the service center. Brochures written in Spanish on the bank's products are available at all the bank's offices. All of the bank's direct loan products are available at all branches.

BONY 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 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 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.

As indicated in Exhibit 5, three of the branches closed since the last examination were located in low- and moderate-income census tracts. None of the closed branches were outside of a location reasonably accessible to another BONY branch. None of the branches closed were further than .7 miles from a nearby BONY branch. Most were within .5 miles of another NYCE bank. Branch closings were due primarily to redundancy resulting from the bank's acquisition of branches from other banks.

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's marketing efforts are effective. The bank employs a wide variety of media to reach individuals in its delineated community, including those living in low- and moderate- income areas, and inform them of the bank's credit and deposit products. Direct sales methods are also used to publicize the Mortgage Company's products and services. Branch personnel and lenders from the Community Lending Group are involved in the development of relationships with new small business customers. The branch network plays an integral role in marketing specific products pertaining to general banking services, residential mortgages, and retail credit products through signs, brochures, and public information provided by branch personnel.

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 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.

BONY's real estate products include home purchases, refinancings, and home improvement loans with standard credit features, as well as products with flexible underwriting criteria to enable low- and moderate-income and first time homebuyers to qualify for a loan. The products are offered throughout the bank's delineated community. However, some programs were designed specifically to meet the credit needs of individuals in MSA 5600 (New York, NY) and MSA 5660 (Newburgh, NY-PA). (See pages 27 and 32 for specific details.)

In addition to real estate products, BONY offers consumer credit products that include credit cards, installment loans, and student loans. The bank offers small business lending products that include term loans, lines of credit, letters of credit, and installment loans. BONY makes special efforts through direct sales to provide financing for minority- and women-owned businesses, non-profit organizations, and government-sponsored community development organizations. A review of the underwriting standards revealed that they are flexible. Loan rates in effect as of the examination date were competitive with those offered by other New York banks.

SPECIAL CREDIT PROGRAMS

Real Estate Lending

BONY's residential lending products and programs include a number of special programs designed to meet the credit needs of low- and moderate-income individuals. BONY generated a reasonable volume of housing loan originations within its community through the following affordable housing programs that were offered throughout the delineation during the period July 1994 to December 1995: 1) the Homeownership Initiative; 2) the Community Homebuyers Program; and 3) the Affordable Mortgage Insurance Option.

The New York Mortgage Coalition, the Neighborhood Housing Services Closing Cost Assistance Program, and the Neighborhood Rehabilitation Home Improvement Loan Programs were created to meet the special credit needs of MSA 5600 (New York, NY). In addition, the Cooperative Outreach Program, which is designed to enable creditworthy potential cooperative ("co-op") buyers to get mortgages in buildings that do not meet conventional requirements, was also created to meet the special credit needs of MSA 5600 (New York, NY). (See the MSA analysis that begins on page 23 for details).

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

HOMEOWNERSHIP INITIATIVE PROGRAM

BONY continues to lend through its Home Ownership Initiative Program, 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. Refinancings of up to 90 percent of the value of the property are also available for all property types. This product is available to all homebuyers who have either completed homeownership counseling training from a BONY approved homeownership counseling group or are financing a property within a "designated community." The program also provides additional flexibility in underwriting criteria. Applicant income may not exceed 115 percent of the applicable MSA or county median household income outside of New York City. The maximum borrower household income is 165 percent of the MSA median in New York City. During the last six months of 1994 and the full year of 1995, BONY's Mortgage Company made 100 loans totaling \$13.3 million.

COMMUNITY HOMEBUYERS PROGRAM

In further efforts to assist first time homebuyers, BONY participates in FNMA's Community Homebuyers Program. The program 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. However, in the New York MSA the maximum borrower household income can be up to 165 percent of the MSA median. No income restrictions apply for borrowers financing purchases in qualified geographic areas. From July 1994 through December 1995, the Mortgage Company made a total of 99 such loans totaling \$15 million.

THE AFFORDABLE MORTGAGE INSURANCE OPTION

In addition to the above mentioned real estate financing initiatives, BONY continues to eliminate up-front costs for private mortgage insurance ("PMI") premiums that are required of borrowers with down payments of less than 20 percent on refinances or home purchases made throughout the bank's delineated communities. The affordable mortgage insurance option was designed to assist homebuyers who often struggle to make the 10-20 percent down payments. Under the option, the premium is paid entirely through the borrower's monthly mortgage payments, rather than requiring payment of the first year's PMI premium in full when the loans close.

Energy Conservation Lending

BONY arranges reduced rate loans for insulation, new heating units, and similar energy conservation efforts for residential and commercial customers through programs established by the Consolidated Edison Company of New York ("Con Ed"), the Long Island Lighting Company ("LILCO"), Central Hudson Power and Light, and the Orange and Rockland Utilities. Since the last examination, one new product has been developed with the Brooklyn Union Gas Company to offer to the gas company's customers a subsidized oil to gas conversion financing credit program. Loan amounts range from \$500 to \$4,500 for residences and from \$10,000 to \$30,000 for business establishments. The minimum term is 12 months and the maximum term is 84 months. For the 18-month period ending December 30, 1995, BONY originated 1,663 energy loans under the residential portion of this program totaling \$6.4 million. For the same period, there were 4 commercial originations totaling \$59 thousand.

Small Business Lending

BONY provides a variety of credit services to its small business customers. Loan products offered include short term time, term, construction, and mortgage loans, standby letters of credit, trade letters of credit (acceptances), and subsidized term loans under the New York Energy Loan Program. (For information pertaining to the New York Energy Loan Program, see Assessment Factor J on page 20). In addition, the bank has a number of open- and closed-end line of credit products. Business loan products range either from a minimum of \$10 thousand up to \$250 thousand, or from \$250 thousand up to \$1 million.

Loans to small businesses are generally originated through BONY's Business and Professional Lending ("BPL") and Community Lending ("CL") Groups. BPL handles businesses with credit needs below \$250 thousand, while CL originates loans that are \$250 thousand and above. The firms offered these loans by BPL often have annual revenues under \$1 million. Firms receiving loans from CL generally have annual revenues under \$10 million. The bank's branch managers have been trained in credit awareness and function as BPL's new business development staff. New business leads are solicited from the bank's Community Advisory Board, whose purpose is to help BONY develop financial products and services that meet the needs of its diverse community.

BPL's new loan activity during the 18-month period ending December 30, 1995, amounted to 2,710 loans, with approximately \$140 million in credit extended. CL's new loan activity for the same period amounted to 2,359 loans, with approximately \$855 million in credit extended.

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

BONY strongly supports governmentally-related housing, small business, and education loan programs throughout its delineation. Housing loans are originated in conjunction with the State of New York Mortgage Association ("SONYMA"), the Federal National Mortgage Association ("FNMA"), Federal Housing Authority ("FHA"), and Veterans Administration ("VA"). Small business loans are made through the Small Business Administration ("SBA").

The following products and programs are offered throughout the bank's delineated community:

REVERSE ANNUITY MORTGAGES

In 1993, the Mortgage Company became one of the first institutions in New York State to participate in offering FHA-insured reverse annuity mortgage loans. It offers three different types of reverse mortgage loans which allow senior citizens to utilize their home equity for income, select an appropriate payment plan that fits their needs, and retain ownership of their home. Written in conjunction with the Department of Housing and Urban Development ("HUD"), these loans are ultimately sold to FNMA. There are no income restrictions or credit history considerations in applying for the reverse mortgage; the only requirement is that the applicant be over the age of 62, own their home free and clear of any other mortgage, and occupy the home as their primary residence. HUD offers counseling services in conjunction with the mortgage.

In 1994 and 1995, BONY's Mortgage Company made a total of 125 such loans totaling \$10.7 million to predominantly low- and moderate-income borrowers.

SONYMA

SONYMA provides below market rate loans with low down payments to eligible first time homebuyers. These loans encourage home ownership in areas where families have annual incomes that fall at a specified percentage below the statewide median income. In 1995, the Mortgage Company was the third largest volume lender of SONYMA mortgages. As a participating SONYMA lender, BONY's Mortgage Company made 1,103 affordable mortgage loans totaling \$107 million since July 1994.

FHA/VA

The Mortgage Company offers 13 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. Between July 1994 to December 1995, the Mortgage Company made a total of 116 FHA loans totaling \$14 million. During the same period, 117 VA loans were made totaling \$17 million.

SBA

CL and BPL originate the majority of BONY's SBA loans, although the Middle Market Group also originates larger SBA loans. The bank is designated by the SBA as a "preferred lender." During the 18-month period ending December 1995, BONY originated 30 SBA loans for \$3.9 million.

NEW YORK STATE ENERGY PROGRAM

In 1994, BONY began to participate in the New York State Energy Program. From July 1994 through January 1996, the bank originated three commercial loans totaling \$696 thousand. At this examination, the current outstanding of these obligations was \$397 million. Loan proceeds were used in multi-family and commercial buildings to install new boilers, burners, windows, and air conditioning.

STUDENT LOANS

BONY offers federally subsidized and unsubsidized loans for students. For the 15-month period ending September 30, 1995, BONY originated 20,772 student loans totaling \$42.5 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 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 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. Technical violations of the Equal Credit Opportunity Act and Home Mortgage Disclosure Act were noted. Management has taken corrective action on the violations noted.

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 has a very effective ascertainment program downstate: MSA 5600 (New York, NY) and MSA 5380 (Nassau-Suffolk, NY), which has led to a substantial increase in community development involvement. BONY demonstrated innovative methods of meeting the community development needs within this area of the delineated community by seeking out opportunities in conjunction with community-based organizations, financial intermediaries, government officials and agencies, and various affordable housing developers. However, a review of the documentation available concerning the Mid-Hudson Valley communities that include MSA 2281, MSA 5660, and the non-MSA did not indicate the same level of outreach. This appears to be the cause for the modest community development lending in these communities.

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

METROPOLITAN STATISTICAL AREA AND NON-METROPOLITAN STATEWIDE 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 37-54.

MSA 5600 (NEW YORK, NY)

BONY strongly supports community development programs and initiatives in most of MSA 5600, but weaknesses were noted in Queens County. 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, residential mortgage lending should also be strengthened in Queens County. In addition, the analysis of home improvement activity shows BONY's level of activity in communities in New York City should be increased. While, the bank achieved a reasonable overall penetration level for small business lending, the penetration level is low within the MSA's New York City counties in comparison to the MSA's suburban counties.

The retail products offered in this MSA include products specifically developed for low- and moderate-income consumers.

I. COMMUNITY DEVELOPMENT

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

The bank's direct lending activity is concentrated in MSA 5600 with \$86.2 million or 83 percent of total direct financing. Lending is strongest in Bronx County, which received 66 percent or \$57.2 million of the MSA 5600 direct commitments. According to 1990 census data, 26 percent of the MSA's population that resides in low- and moderate-income census tracts is in Bronx County. The total population in Bronx County is 1.2 million of which 759 thousand, or 63 percent, reside in low- and moderate-income areas.

Approximately \$78 million or 90 percent of the direct lending to the MSA 5600 is new lending, with the economic development portion (\$43.3 million) supporting a major redevelopment initiative in the South Bronx. This lending for economic development, coupled with approximately \$13 million for affordable housing, represents the largest amount of financing to an individual county. Since the last examination, BONY's direct lending efforts have contributed to the construction or rehabilitation of 1,042 homes in low- and moderate-income census tracts within the bank's delineated communities in MSA 5600.

In 1995 BONY formed a non-bank subsidiary to facilitate investment in low-income rental housing development and rehabilitation through the IRS' low-income housing tax credit program. Through this subsidiary, ten separate limited equity partnerships investments were funded totaling \$18.1 million. Nine of these projects totaling \$15 million are located in New York City. As a result of the partnership's activity, 514 units of affordable housing were created for low-income

individuals in communities that include Midtown-Manhattan, Harlem, Crown Heights, East Flatbush, Brownsville, Mott Haven, and Huntspoint. With the exception of the Midtown-Manhattan location, these areas are low-income areas.

While the overall lending in this MSA is high, some weaknesses were noted in Queens County, where there were only three projects totaling \$2.8 million.

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 ACTIVITY

Activity in low- and moderate-income census tracts is considered reasonable for these products, with demand-adjusted penetration in low- and moderate-income census tracts only moderately lower than penetration in non-low- and moderate-income census tracts. Exhibit 2, shows that loan activity is only 1.1 times stronger for applications and 1.3 times stronger for approvals in non-low- and moderate-income census tracts.

The demand-adjusted low- and moderate-income census tract application and approval ratios noted above reflect a significant improvement since the last examination. The ratio of approvals (on an annualized basis) originating from low- and moderate-income census tracts has approximately doubled. With the exception of home purchases in Queens County, each county in the MSA reflects a higher level of home purchase and refinance applications and approvals in low- and moderate-income census tracts versus non-low- and moderate-income census tracts.

In Putnam, Rockland, and Westchester counties there is significant application activity resulting in high census tract penetration rates. Some 91 percent of non-low- and moderate-income census tracts and 67 percent of low- and moderate-income census tracts had application activity. Application activity is significantly lower in the Bronx, Kings, Queens, and New York counties with 32 percent of non-low- and moderate-income census tracts and 16 percent of low- and moderate-income census tracts with application activity. Although the penetration rates in the Bronx, Kings, Queens, and New York counties are an improvement since last examination versus the other counties in the MSA, the penetration rates should be improved.

In the Bronx County, the demand-adjusted penetration level was stronger for both loan applications and approvals in low- and moderate-income census tracts, due largely to special efforts that the Mortgage Company has undertaken with community groups and its sponsorship of seminars. In this county, loan approvals originating from low- and moderate-income census tracts were twice as strong as approvals in non-low- and moderate-income census tracts. A review of the geographic distribution of these loans indicates the strongest approval activity was in the Bruckner-Castle Hill, Morrisania-Huntspoint, Kingsbridge Heights, and Williamsbridge sections of the county.

In New York County, the demand-adjusted penetration for applications is virtually equal between

the two income segments, but for approvals penetration levels are slightly higher in non-low- and moderate-income census tracts. Modest low- and moderate-income census tract application activity is scattered in areas of Washington Heights, Harlem, Clinton, and the Lower East Side. Modest lending in non-low- and moderate-income census tracts is distributed throughout the county.

In Kings County, the demand-adjusted level of application and approval activity was only moderately stronger in non-low- and moderate-income census tracts and represents an improvement since the last examination with lending in low- and moderate-income areas such as Crown Heights, Flatbush, Bedford Stuyvesant, and Bushwick.

Lending should be strengthened in Queens County, which has the lowest residential mortgage penetration level of BONY's delineation. There is virtually no lending activity in the low- and moderate-income areas of Queens. Modest lending activity was scattered in non-low- and moderate income areas of the county. This situation resulted in demand-adjusted application and approval rates that were 2.5 times and 4.8 times stronger in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. Management has investigated the reasons for the weak performance in this county with regard to residential mortgage loan and application activity and has created a new product to address these concerns in Queens and throughout the other delineated portions of New York City.

HOME IMPROVEMENT ACTIVITY

Exhibit 3 shows that on a demand-adjusted basis, the bank's rate for receiving applications is moderately stronger in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. However, loan approval activity in non-low- and moderate-income census tracts is stronger than approval activity in low- and moderate-income census tracts.

In Putnam, Rockland, and Westchester counties there is heavy application activity, resulting in high penetration rates. In these three counties, 87 percent of non-low- and moderate-income census tracts and 64 percent of low- and moderate-income census tracts had application activity. Application activity is lower in the Bronx, Kings, Queens, and New York counties.

As shown in Exhibit 3 on page 11, on a demand-adjusted basis there is a lower level of applications and approvals coming out of New York and Kings counties than from other MSAs or counties within BONY's delineation. However, loan application activity was stronger in low- and moderate-income census tracts than in non-low- and moderate-income census tracts, and with the exception of Kings County, loan approvals were moderately stronger in low- and moderate-income census tracts.

Low- and moderate-income areas without application activity were located in the southern section of Harlem and the Washington Heights section of New York County. In addition, the geographic distribution of home improvement approvals shows additional areas where there is limited approval activity. These areas include low- and moderate-income communities in Kings and New York counties along with a substantial portion of the southwestern quarter of the Bronx County and in the Jamaica section of Queens County.

In Westchester County, application activity is much stronger in low- and moderate-income census tracts while loan approval activity also shows strength. In Rockland County, no application

activity was noted in low- and moderate-income census tracts. Rockland County has only one populated low- and moderate-income census tract with owner-occupied housing units.

SMALL BUSINESS LENDING ACTIVITY

While Exhibit 4 shows a reasonable overall penetration level of 29.8 loans per 1,000 small business establishments in MSA 5600, BONY achieved penetration levels of small business lending that are proportional to the number of low- and moderate-income census tracts within all MSAs, except this one. In MSA 5600, where 58 percent of BONY's small business activity takes place, only 12.7 percent or 284 of the originations were in low- and moderate-income census tracts and this is attributable to weaknesses in lending in low- and moderate-income census tracts in most of New York City. The percentage of low- and moderate-income census tracts within the delineated portion of the MSA is 34 percent.

Notable areas where lending could be strengthened are in the Bronx and Kings counties, which have the lowest penetration levels of BONY's delineation. However, within the Bronx, with 58 percent of the census tracts designated low- and moderate-income, the bank originated 37.5 percent of its loans within low- and moderate-income census tracts. Similarly, Kings County experienced a high percentage of loan originations in low- and moderate-income census tracts, with 72.5 percent of its small business loans originated in low- and moderate-income census tracts.

Lending was scattered in the High Bridge, Kingsbridge, and Mount Hope sections of the Bronx. In Kings County, lending was in Red Hook, Coney Island, Northside, and Southside. To address the weaknesses in both Kings and Bronx counties, the bank increased lending officer and branch manager calling activity in an effort to penetrate low- and moderate-income census tracts.

Queens County showed similar weaknesses, but did not have the high penetration levels in low- and moderate-income census tracts. Most loans within Queens County were originated within the contiguous census tracts surrounding branch locations. A low level of lending in low- and moderate-income areas was particularly prominent in areas of Jamaica, Flushing, and Jackson Heights.

Within New York County, small business loan volume was very low in the low- and moderate-income areas of Harlem, the Lower Eastside and Chinatown, while the bank showed strength in low- and moderate-income census tracts in midtown on the West Side of the county.

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

Five branches located within Westchester County, and one in Rockland County were closed since the last examination. Two of the branches closed in Westchester County were located in low- and moderate-income census tracts located in Ossining and Peekskill. The closed branch in Rockland was located in an upper-income census tract.

III. TYPES OF CREDIT OFFERED AND EXTENDED

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.

In addition to the products and special-credit programs discussed on pages 17 - 19 which are offered throughout the delineation, the following programs were designed specifically to meet the credit needs of MSA 5600.

NEW YORK MORTGAGE COALITION

BONY participates with other banks in the New York Mortgage Coalition. The coalition contracts with not-for-profit community organizations to provide information concerning mortgage loans and to help qualify prospective borrowers. Each member bank reviews declined mortgage applications fitting certain criteria to see if another member bank can originate the credit. Applications are processed for applicants whose incomes do not exceed 165 percent of the MSA median income. From May 1994 through December 1995, BONY originated 98 mortgage loans totaling \$13.5 million.

NEIGHBORHOOD HOUSING SERVICES CLOSING COST ASSISTANCE PROGRAM

BONY participates with other banks in the Neighborhood Housing Services Closing Cost Assistance Program. This is a special financing program for residents of New York City that provides assistance for those who wish to own a home and do not have the cash available to pay the normal down payment or closing costs. Interest on the loans is fixed at 6 percent. Eligible borrowers must have a BONY mortgage on a primary one- to four-family residence. Borrower income may not exceed 150 percent of the MSA median family income. BONY made 55 unsecured loans totaling \$521 thousand under this program. The loans range from \$5,000 to \$15,000 for 8 year terms. The residential mortgages related to these properties have mortgages totaling approximately \$8.1 million.

COOPERATIVE OUTREACH PROGRAM

The bank developed a home mortgage product specifically targeted to co-op buyers. Under the Cooperative Outreach Program, developed with a New York State congressman, FNMA, and the Federal Home Loan Mortgage Corporation, BONY will extend a mortgage to a co-op buyer based upon any combination of flexible lending criteria. The program pre-approves buildings for loans so when a qualified individual co-op buyer comes forward, BONY can originate a mortgage. Traditionally, lenders have required that over 50 percent of a co-op's shares be sold prior to granting mortgages to co-op buyers. BONY relaxes this threshold and reviews the underlying financial condition of the co-op as a whole. At the time of this examination this program had only been offered within New York City.

Since the program's inception in early 1995, the bank has issued over \$27.9 million in forward commitments to 29 co-op sponsors, with over 9,500 co-op units available for sale. In Queens and Brooklyn the commitment amounts to \$5.4 million for a potential 833 units; Queens \$3.4 million and 593 units and Brooklyn \$2 million and 240 units.

NEIGHBORHOOD REHABILITATION HOME IMPROVEMENT LOAN PROGRAMS

In the City of White Plains, Westchester County, the bank participates in the municipality's home improvement loan program for low- and moderate-income homeowners. Loans are booked under the program at an interest rate that is below BONY's conventional fixed home improvement rate.

There is no minimum loan amount. The maximum loan amount and term is \$50 thousand for 10 years. A second mortgage is required on all loans of \$7.5 thousand or more. Since the last examination, 15 loans totaling \$175 thousand were extended under this special program.

MSA 5380 (NASSAU-SUFFOLK, NY)

BONY strongly supports community development programs and initiatives in MSA 5380. Overall, the geographic analysis shows that BONY is reasonably serving the credit needs of the entire MSA. A review of home purchase and refinancing application and approval activity, based on demand-adjusted penetration rates, shows BONY is strongly serving the housing credit needs of the MSA, including low- and moderate-income areas. While home improvement lending activity is satisfactory, penetration in low- and moderate-income communities is not as strong. 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 population that resides in low- and moderate-income census tracts in the MSA is 11 percent of the delineation's total low- and moderate-income area population. The MSA received \$16.8 million or 11 percent of the total community development lending of which \$13.2 million was for construction of affordable housing for senior citizens and developmentally disabled residents. The remaining \$3.7 million was for construction of low- and moderate-income housing developments.

Direct financing activities within this MSA represents 16 percent of total direct financing. No direct economic development lending was noted in Nassau and Suffolk counties, however BONY does support intermediaries which promote economic development in these counties (see the discussion on page 7 for details).

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 ACTIVITY

BONY is receiving applications and approving loans throughout the MSA. Some 69 percent of non-low- and moderate-income census tracts and 62 percent of low- and moderate-income census tracts had application activity. Adjusted for demand, the level of mortgage applications and approvals in low- and moderate-income census tracts is, respectively, 2.16 and 2.14 times greater in low- and moderate-income census tracts than in non-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 both Nassau and Suffolk counties is greater than activity in non-low- and moderate-income census tracts. See Exhibit 2 on page 10.

HOME IMPROVEMENT ACTIVITY

Exhibit 3 shows on a demand-adjusted basis that the bank's rate for receiving home improvement applications in this MSA is virtually the same in low- and moderate-income census tracts as in non-low- and moderate-income census tracts. However, the bank's rate for approving home improvement loans is slightly greater in non-low- and moderate-income census tracts.

In Nassau County, the level of applications in low- and moderate-income census tracts was 1.3 times greater than in non-low- and moderate-income census tracts, but non-low- and moderate-income census tract approvals were 1.2 times greater. In Suffolk County, applications in non-low- and moderate-income census tracts were 1.2 times greater than in low- and moderate-income census tracts, and approvals were 1.4 times greater in non-low- and moderate-income census tracts.

There was virtually no absence of application or approval activity in any census tract within the MSA. Approximately 90 percent of non-low- and moderate-income census tracts and 86 percent of low- and moderate-income census tracts had application activity. Approval activity was in 80 percent of non-low- and moderate-income census tracts and 70 percent of low- and moderate-income census tracts.

SMALL BUSINESS LENDING ACTIVITY

Within the MSA, the bank achieved a high penetration level, 35.8 loans per 1,000 small business establishments. Lending activity is dispersed throughout the MSA. Penetration in low- and moderate-income census tracts was comparable to the percentage of low- and moderate-income census tracts. Lending activity is particularly strong in low- and moderate-income census tracts in Freeport, Roosevelt, and Hempstead in Nassau County.

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

Two of the branches closed since the last examination were located within Suffolk County. One of these closed branches was located in a low- and moderate-income census tract in Ronkonkoma.

MSA 5660 (NEWBURGH, NY-PA)

BONY's participation in community development activities in the MSA is modest and should be increased. A review of mortgage and home improvement loan application and approval activity, based on demand-adjusted market penetration rates, shows BONY is strongly serving the housing credit needs of the MSA, including low- and moderate-income areas. BONY also satisfied small business credit needs by providing a significant number of loans to small businesses in the MSA. On a demand-adjusted basis, 76.6 small business loans per 1,000 small business establishments were extended.

The retail products offered in this MSA include products specifically developed for low- and moderate-income consumers.

I. COMMUNITY DEVELOPMENT

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

As discussed earlier, a modest level of community development financing was extended to the bank's Mid-Hudson Valley communities. Affordable housing construction and rehabilitation loans were made within this MSA, where two organizations located in Orange County received \$252 thousand.

Discussions with community organizations contacted as part of this examination, indicated the need for a greater level of support than what is currently provided, particularly in areas such as Middletown.

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 ACTIVITY

Adjusted for demand, the level of mortgage application and approval activity within low- and moderate-income census tracts is approximately 1.3 times the level achieved in non-low- and moderate-income census tracts. As illustrated in Exhibit 2 on page 10, on a demand-adjusted basis, BONY is providing more loans per 1,000 units of owner-occupied housing in this MSA than the other MSAs and non-MSA.

HOME IMPROVEMENT ACTIVITY

Analysis of home improvement activity shows BONY is serving the home improvement credit needs of Orange County, including low- and moderate-income census tracts. Exhibit 3 on page 11 shows that on a demand-adjusted basis, home improvement applications and approvals are stronger in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. Applications and approvals in such census tracts are at approximately 1.5 times the level achieved in non-low- and moderate-income census tracts.

SMALL BUSINESS LENDING ACTIVITY

As illustrated in Exhibit 4 on page 12, the bank achieved its strongest small business loan penetration in this MSA. BONY demonstrated wide geographic dispersion in small business originations, with loans in most of the census tracts throughout the area. The bank also had 18.5 percent of its loans originated within the low- and moderate-income census tracts in the area. This closely approximates the percentage of low- and moderate-income census tracts in the county, 22.4 percent.

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

The one closed branch was located in Orange County in a middle-income census tract.

III. TYPES OF CREDIT OFFERED AND EXTENDED

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.

The following programs were designed specifically to meet the credit needs of MSA 5660.

In the Village of Highland Falls ("the Village"), Orange County, the bank participates in the municipality's community development home improvement loan program for homeowners and apartment owners. BONY's portion of the financing allows the Village to leverage a grant that it received from HUD for this purpose. The Village provides the homeowner with a grant that equals the amount of the loan or half of the cost of the improvements. Loans are booked under the program at an interest rate that is 1.5 percent below BONY's conventional fixed home improvement rate. There is no minimum loan amount. The maximum loan amount and term is \$50 thousand for 10 years. A second mortgage is required on all loans of \$7.5 thousand or more.

Most of the applicants are low- or moderate-income individuals based on HUD guidelines. Since the last examination, 3 loans totaling \$20 thousand were extended under this program.

MSA 2281 (DUTCHESS COUNTY, NY)

BONY's participation in community development activities in the MSA is satisfactory. Within Dutchess County, the mortgage and home improvement loan application and approval activity shows that BONY is adequately serving the housing credit needs of the MSA, including low- and moderate-income census tracts. BONY is strongly serving the small business credit needs. 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.

Loans totaling \$1.4 million were extended to two organizations in the MSA. These loans promote affordable housing construction and rehabilitation.

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 ACTIVITY

On a demand-adjusted basis, the rate of applications and approvals for home purchases and refinancings is only slightly lower in low- and moderate-income census tracts than in non-low- and moderate-income census tracts and represents continued progress from last examination, when lending was significantly lower in low- and moderate-income census tracts. However, lending needs to be strengthened in the low- and moderate-income census tracts in Poughkeepsie. BONY is attempting to increase lending in Poughkeepsie by promoting its Homeownership Initiative Mortgage Program.

HOME IMPROVEMENT ACTIVITY

BONY is reasonably serving the home improvement credit needs of the entire MSA, including low- and moderate-income communities. The demand-adjusted penetration level for applications is slightly stronger in low- and moderate-income census tracts, while approval activity is slightly stronger in non-low- and moderate-income census tracts. Application and approval activity, which includes most of the low- and moderate-income census tracts within Dutchess County, is concentrated in the southwestern quarter of the county where the population is centered.

SMALL BUSINESS LENDING ACTIVITY

Within the MSA, the bank originated 60.8 small business loans per 1,000 small businesses. This is especially significant because the bank also had 29.1 percent of its loans within low- and moderate-income census tracts, with the county only having 23.5 percent of its tracts designated as low- and moderate-income.

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

No branches were opened or closed in MSA 2281 since the last examination.

NON-MSA (SULLIVAN AND ULSTER COUNTIES, NY)

BONY's participation in community development activities in the non-MSA is modest and should be increased. A review of home purchase and refinance application and approval activity shows BONY needs to strengthen mortgage lending in low- and moderate-income areas in this portion of the delineation. Home improvement and small business loan penetration is reasonable. 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.

In the non-MSA portion of the delineation, BONY extended a \$200 thousand line of credit to a small business development organization in Ulster County. No direct lending was extended to Sullivan County portion of the delineation since the last examination. However, BONY supports intermediary organizations that serve all of these communities. See Assessment Factor H on page 7 for details.

Discussions with community organizations contacted as part of this examination, indicated the need for a greater level of support than what is currently provided, particularly in areas such as Monticello and Kingston.

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 ACTIVITY

Demand-adjusted application activity is significantly less in low- and moderate-income block numbering areas ("BNAs"). Only 2 of 70 applications and 1 of 58 approvals are within low- and moderate-income BNAs.

There is nominal application activity in the low- and moderate-income areas of Kingston in Ulster County and areas north and south of this city. In Ulster County, the percentage of owner-occupied housing in BNAs is approximately the same for both low- and moderate-income areas (36 percent) and non-low- and moderate-income areas (41 percent).

Management has investigated the reasons for the weak mortgage lending performance in this community and has hired a loan originator that specializes in government subsidized loan programs to originate FHA and VA mortgages, which appear to be in demand in this portion of the bank's delineation.

HOME IMPROVEMENT ACTIVITY

Exhibit 3 on page 11 shows, on a demand-adjusted basis, that the rate of applications and approvals for home improvement loans in the non-MSA is moderately less from low- and moderate-income BNAs than from non-low- and moderate-income BNAs. In Ulster County, where 94 percent of low- and moderate-income owner-occupied housing in the non-MSA is located, BONY has a strong lending record in low- and moderate-income BNAs with lending and application activity at a slightly stronger level in low- and moderate-income BNAs. There were no applications received from low- and moderate-income BNAs in Sullivan County. The percentage of low- and moderate-income BNAs is 5.6 percent of all the county's BNAs.

Applications and approvals were scattered throughout the non-MSA area. There are many areas without application activity. These areas include some of the low- and moderate-income BNAs in New Paltz and Kingston.

SMALL BUSINESS LENDING ACTIVITY

As illustrated in Exhibit 4 on page 12, within the non-MSA, the bank achieved a rate of 22 small business loans per 1,000 small businesses. It should be noted that the demand-adjusted analysis is based upon the number of small business establishments within the whole county while only portions of each county are included within the bank's delineation. Therefore, penetration levels are actually stronger than reflected in the exhibit. Within Ulster County, the bank originated 16.7 percent of its small business loans in low- and moderate-income areas where approximately 20 percent of the BNAs are designated as low- and moderate-income. No small business loans were made in the low- and moderate-income areas of Sullivan County. As previously mentioned, the percentage of low- and moderate-income BNAs is 5.6 percent of all the county's BNAs.

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

No branches were opened or closed in the non-MSA (delineated portions of Sullivan and Ulster Counties) since the last examination.

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's delineated community are carried out primarily through: 1) its Mortgage subsidiary; 2) the bank's business calling and other calling programs; 3) contacts by the Community Development Officer, CRA and Compliance Coordinator, and bank staff; 4) a Community Advisory Board, and (5) the Real Estate Division.

BONY outreach efforts for low- and moderate-income communities throughout the bank's delineation are coordinated by a low-income housing specialist in the Mortgage Company, staff in the Community Lending Group and CRA administration unit, and staff in the real estate and consumer lending divisions. While their overall effort has been effective, a review of the documentation available concerning the Mid-Hudson Valley communities (MSA 2281-Dutchess County, MSA 5660-Orange County, and the non-MSA-Sullivan and Ulster counties) showed that outreach efforts in these communities is not at the level noted in other MSAs within BONY's delineation.

New initiatives at this examination that resulted from the bank's ascertainment efforts include the bank's \$18 million equity investment in low-income housing tax credit projects. This community development involvement was fostered through a broad-based outreach initiative conducted by the real estate division. Innovative enhancements also include outreach by the Mortgage subsidiary that led to the development of a home purchase and refinance program for co-op units in New York City, and BONY's creation of a nine member community advisory board.

THE BANK OF NEW YORK MORTGAGE COMPANY

The Mortgage Company is engaged in providing purchase money and refinance mortgage loans on one- to four-family residences, condominiums, co-ops, and multi-family rental property. As such, its ascertainment efforts are focused on seeking ways to increase mortgage lending to low- and moderate-income applicants and in low- and moderate-income census tracts.

Officers of the Mortgage Company meet regularly with government and non-profit organizations involved in supporting, developing, selling and operating affordable housing. Additionally, the Mortgage Company has met with representatives of SONYMA, FNMA, and other secondary market mortgage purchasers to maintain and develop new products and change underwriting

standards. As detailed in Assessment Factors I and J beginning on pages 16 and 20, these contacts and efforts by the Mortgage Company have led it to offer a wide spectrum of mortgage products and to participate in various government-guaranteed loan programs.

The Mortgage Company reviews demographic and racial data in relation to home mortgage applications and its delineation's housing stock. As a result of the Mortgage Company's analysis, it targets bank resources and CRA efforts in certain low- and moderate-income areas to assure that it is serving the entire delineation's credit needs. During this examination review period, the Mortgage Company began to employ a Low-Income Housing Specialist to coordinate efforts to ascertain and serve the mortgage credit needs of its low- and moderate-income areas and individuals. The bulk of his activities, thus far, have been focused in low- and moderate-income areas of Bronx and Kings counties, and the northern section of New York County.

BUSINESS CALLING PROGRAM

Since the last examination, the bank has developed a new approach to reaching its small business community. In addition to an existing staff of 84 community lenders, 268 branch managers have been trained in credit awareness in an effort to obtain a larger market share of the bank's small business community. The information that is obtained through the community lenders' and branch managers' credit awareness activities is directed to each division head, who in turn, provides a summary of this information to the CRA and Compliance Coordinator. The bank also now employs Community Lending Officers ("CLO") to obtain ascertainment information on small businesses in its low- and moderate-income communities. The CLOs have been successful in providing the bank with key community contacts, opportunities for lending, and in providing technical assistance to several not-for-profit community development organizations.

COMMUNITY DEVELOPMENT OFFICER

The Community Development Officer ("CDO") maintains ongoing contact with financial intermediaries, government officials, and non-profit organizations involved with affordable housing, economic, and small business development. He serves on the Board of Directors of several community-based housing corporations, and as a member of a large community development corporation.

The CDO's efforts are essential to the ascertainment of credit needs within BONY's delineated community, particularly in low- and moderate-income neighborhoods. The CDO reports his findings to the CRA and Compliance Coordinator, and to ensure their input into the bank's CRA efforts, both officers have seats on various BONY CRA committees.

Several of the CDO's ascertainment efforts have resulted in the bank's extension of affordable housing and economic development loans. Projects located in Harlem, Jamaica, and New Rochelle have received financing. Other ascertainment efforts have resulted in attempts to develop a secured credit card program for low-income individuals who are members of a Bronx Federal Credit Union and participation in a small business loan fund. In addition, the CDO has served in various leadership positions to develop programs designed to improve and enhance the low- and moderate-income communities in Dutchess, Orange, Rockland, Westchester, New York City, and Long Island.

COMMUNITY ADVISORY BOARD

In an effort to further support the bank's ascertainment program, the bank in March 1995 established a Community Advisory Board ("CAB"). The purpose of CAB is to help BONY develop credit products and services that meet the credit needs of the diverse community it serves. Nine board members were recruited and are dispersed throughout the bank's delineation. CAB members meet quarterly and provide the bank with an assessment of the credit needs of the community in which they are assigned. Using the information provided by the CAB, the bank developed its new Small Business Character Loan product. (See Assessment Factor I on page 19, for details relating to this types of credit).

REAL ESTATE DIVISION

The bank has dedicated staff in the Real Estate Lending Division to contact and work with not-for-profits, developers, real estate investors, and government agencies in providing credit for affordable housing and commercial property in low- and moderate-income census tracts. Numerous loans have been originated because of this effort including construction of senior citizen housing, low- and moderate-income rental and owner-occupied housing, and shopping centers located in low-income communities. These credit extension are discussed in Assessment Factor H on page 7.

As discussed earlier, a non-bank holding company subsidiary, underwrites equity investments in low-income housing tax credits. For the nine-month period from June 1995 to February 1996, the proceeds of these investments funded ten long-term affordable rental housing development and rehabilitation projects. The subsidiary must maintain its equity investment for a minimum of ten years to fully realize the associated low-income tax benefits. See Assessment Factor H on page 23 for further details.

In addition, as an outgrowth of the Real Estate Lending Division's CRA initiatives, BONY signed an agreement in July 1995 with the Office of the New York State Comptroller, which commits the State to supply up to \$20 million in long-term mortgage financing as take outs for multi-family construction loans made outside of New York City. BONY will assume its normal risks during construction and, upon completion, the loan will be sold to the New York State Common Retirement Fund ("Pension Fund"). The mortgages will be 100 percent guaranteed by SONYMA. BONY anticipates using the Pension Fund end-financing to support expanding its affordable housing lending program to include multi-family apartment construction loans extended to small developers and not-for-profit organizations.

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'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 CRA Policy Statement and 1994 and 1995 CRA Plans.

Board of Director Involvement

The board maintains responsibility for BONY's CRA program by reviewing and approving the bank's public CRA statement 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 five board members and seven senior officers of the bank including the Chairman and Chief Executive Officer, President and Chief Operating Officer, Senior Executive Vice President, CRA and Compliance Officer, and Senior Vice President and General Counsel. 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.

BONY's CRA Planning Committee

The CRA Planning Committee is comprised of 15 members of senior management including several members of the board's CRA Committee, as well as officers from the Mortgage Company, Community Lending, Marketing, Community Banking and Real Estate Lending divisions. The CRA Committee, which is chaired by the Senior Executive Vice President and Sector Head of Retail Banking, meets monthly for discussions on strategies to meet community credit needs and to measure BONY's performance in meeting its CRA goals and objectives. A review of committee minutes showed topics discussed have included identifying groups for outreach, identifying suitable low-income housing projects for equity investments, the Cooperative Outreach Program, and participating in loan counseling programs with a New York housing organization. The committee reports on a quarterly basis to the board's CRA Committee and on occasion to the bank's board of directors.

II. MARKETING

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 employs a wide variety of media to effectively reach individuals in its delineated community, including those living in low- and moderate-income areas, and inform them of the bank's credit services. The bank augments its use of traditional media advertising and sales efforts with telemarketing. Through the loan center in Harrison, NY's toll-free service lines, loan applications are taken over the phone. In addition, information about retail deposit/loan products and interest rates is provided. These special service lines accommodate both Spanish and English speaking callers.

BONY and the Mortgage Company have publicized their loan products through the use of newspapers, business journals, community and service organization journals, television, radio, posters, direct mail, statement inserts, and staff who call upon residential mortgage and commercial loan prospects. Such efforts are designed to stimulate awareness of credit services throughout the institution's entire delineation. Mass media advertising campaigns and use of special media targeted at particular ethnic groups were employed during the examination review period.

From September 1994 through December 1995, 184 minority print advertisements appeared in 18 newspapers, versus 11 newspapers at last examination, that focus on interests and issues that relate to the African-American, Latino, and Asian communities. This represents a substantial increase in the number of newspapers utilized that serve minority populations. Targeted minority publications consisted of nine African-American newspapers that include the City Sun, Amsterdam News, and Hudson Valley Black Press; seven Latino newspapers that include El Diario/La Prensa, Noticias del Mundo, and Impacto Latino News; and two Asian newspapers: Sing Tao Jihpao and Korean Herald. Latino and Asian advertisements included ads in Spanish and Korean.

During the same time period, BONY began advertising in three general interest newspapers -- Bronx Press Review, Brooklyn Bay News, and Brooklyn Greenpoint Gazette -- as part of its continuing effort to expand the marketing and advertising of credit products and services to areas of the delineated community that do not have branches. These publications provide coverage in the Bronx and Brooklyn that includes low-income areas in the South Bronx and the Greenpoint, Bedford-Stuyvesant, and Coney Island sections of Brooklyn in MSA 5600.

BONY continued to publicize loan products through its use of broadcast media. During the last four months of 1994 and the full year of 1995, radio advertising appeared on 20 different radio stations. Of that number, four of the stations catered to Spanish language speakers, and two stations had a mostly African-American listening audience. In total, there were over three thousand sixty-second commercials broadcast throughout New York City (MSA 5600), Nassau

and Suffolk counties (MSA 5380), and the Hudson Valley area (MSA 5660, MSA 2281 and the non-MSA); slightly less than a third of such commercials were ethnically-focused.

Television advertising appeared on seven stations including WCBS, WNBC, and WABC. BONY also made use of two cable stations in an effort to reach viewers in its community delineation outside of New York City. Although no ethnic or low-income groups were specifically targeted, considerable effort was made to place advertising at different time slots and on a wide variety of programming. During 1995, 1,029 fifteen-second commercials were broadcast.

RETAIL MARKETING AND ADVERTISING INITIATIVES -- BONY

From September 1994 through December 1995, BONY's advertising emphasized its home equity loans, deposit products, and its image. Marketing of home equity products accounted for 58 percent of total print advertising, while the promotion of deposit products and image accounted for 21 percent of the total.

Homeowners Edge, a home equity product, and 60 Minute Loans, a consumer installment loan product, were the only products marketed on radio stations. Small business loans and services were the sole products mentioned in television commercials.

Within New York City, BONY utilized primarily The New York Times and New York Newsday in its print advertising. Approximately 50 percent of the newspaper ads were for home equity loans. Consumer/Auto loan and Deposits/Image ads made up approximately 40 percent of the total print marketing campaign in New York City. Small business credit (9 percent) was mainly promoted through business journals. Radio advertising within metropolitan New York marketed Homeowners Edge primarily to the general population, and 60 Minute Loans solely to African-American and Latino listeners.

Within Nassau and Suffolk counties, 65 percent of the newspaper ads were for home equity loans. BONY also devoted 25 percent of its print advertising to its deposit products and image. Small business advertisements consisted 8 percent of the advertisements and were promoted through a major daily and various business journals. In its utilization of broadcast media, BONY purchased time on one local radio station to advertise Homeowners Edge, and one local cable television station to promote its small business products.

Advertising efforts in Hudson Valley closely mirrored those in Nassau and Suffolk counties. Marketing of home equity loans made up 57 percent of the total print advertising for Hudson Valley, while 20 percent of newspaper advertising in the area was designated for promotion of deposit products and image. Also, 13 percent of print ads focused on small business loans. For the same period, BONY advertised its Homeowners Edge loans on two local radio stations, and marketed its small business services on one local cable television station.

RETAIL MARKETING AND ADVERTISING INITIATIVES -- MORTGAGE COMPANY

The Mortgage Company, with assistance from BONY, advertises its home purchase and refinance products through a wide range of methods. Mortgage applications are solicited through BONY branch office referrals, contact with real estate professionals, special coordination with community groups, housing seminars, direct mail, and occasional use of print and broadcast media.

The Mortgage Company's print advertising constituted only 4 percent of BONY's advertising and was mainly limited to daily newspapers. Since last examination, management decided to reduce the amount of general advertising and primarily market mortgage products through the mortgage loan representative sales call program. This program represents a significant part of the marketing activity. It consists of the calls made to real estate agents, brokers, attorneys, builders and developers, CPA's, not-for-profit community organizations, BONY branches located within the representative's designated territory and potential loan applicants. Each loan representative is responsible for establishing and maintaining these relationships by making sales calls on potential and existing contacts to develop new business.

In addition, the Mortgage Company reviews its past lending activity against local demographic data and increases its marketing efforts in areas showing weaknesses in mortgage lending. Daily newspaper ads have focused on harder to reach market segments to promote first-time homebuyer and affordable mortgage products. African-American newspapers in New York City were also used to supplement the call program activity.

The Mortgage Company works with major community groups that provide homeownership counseling programs. It uses these contacts to assist in its effort to market special credit-related programs available to low- and moderate-income individuals within BONY's delineated community.

Seminars and financing workshops sponsored or directed by the Mortgage Company inform the general public, realtors, and other interested parties of the various housing issues and loan programs that exist. In particular, prospective home buyers are exposed to the home buying process and the resources available to aid them. The Mortgage Company participated in 23 home ownership seminars and fairs from September 1994 to December 1995. These seminars typically were done in cooperation with not-for-profit community organizations and federal agencies. In that same period, representatives attended and spoke at four reverse mortgage seminars. Homebuyer seminars were organized in all three areas of the delineated community, although almost half of those events were held in New York City. Reverse mortgage seminars took place in Hudson Valley and Nassau County.

The Mortgage Company has prepared numerous brochures which describe each special loan program. These include but are not limited to FHA, VA, SONYMA and Community Homebuyers. The brochures are used in direct consumer and community group distribution, in BONY branches and at homebuyer seminars and fairs.

ETHNIC-TARGETED MARKETING INITIATIVES

The majority of BONY's ethnic-targeted media advertising focused on promoting home equity, consumer/auto loans and small business loans. In New York City, BONY heavily advertised its

consumer/auto loans in various well-established African-American, Latino, and Asian publications during the examination review period. The readership of these newspapers is well spread out geographically among the various ethnic communities in the greater New York City metropolitan area and surrounding suburbs. Therefore, these publications often attract readers from minority populations residing in portions of the Nassau/Suffolk and Hudson Valley parts of the delineated community. The African-American publications have a combined circulation of approximately 450,000, while the Latino and Asian publications are estimated to reach 200,000 and 400,000, respectively.

Ethnic-targeted media advertising of home equity and small business loans appeared in newspapers serving only African-American populations and home equity commercials were broadcast on African-American radio stations reaching the New York metropolitan area.

These promotions were supplemented in Hudson Valley with the Westchester County Press and Hudson Valley Black Press. These weekly publications were also used to market home equity, consumer/auto, and small business loan programs to the area's African-American population. The two newspapers have a combined circulation of approximately 65,000.

SMALL BUSINESS ADVERTISING

BONY, while employing print and broadcast media, relies greatly on business calling programs to advertise its small business products. Retail loan officers from the Community Lending Division ("CL") and BONY's branch managers who develop new business for the Business and Professional Lending Program ("BPL") are responsible for marketing, developing, and maintaining relationships with small businesses. BPL's clientele is generally defined as businesses seeking loans less than \$250 thousand, while CL's clientele are seeking loans \$250 thousand or more.

The majority of the marketing efforts are carried out by account officers, who promote the bank's business products, including deposit, and loan products. Internal reports show that an average of 130 calls in connection with BPL were made by each BONY branch in each of the six calling areas. Calling efforts per branch were highest in the Suffolk, Rockland, Manhattan, and Westchester offices. The CL business calling program made the most number of calls from its Nassau/Queens/Brooklyn, Westchester/Putnam/Bronx, and Mid-Hudson regional lending groups. The least number of calls was made from the Manhattan CL lending group. Although BONY has no branch presence in the Bronx and Brooklyn, a significant number of contacts were made by CL lenders during the examination review period.

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 NEW YORK STATE

As previously mentioned, BONY's headquarters is located in New York City, which is part of MSA 5600. At September 30, 1995, the bank's assets totaled \$41 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, national, and global markets 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, The New York State Department of Labor and The New York State Department of Economic Development. Housing, income and population data was obtained from the 1990 Census Data.

The bank's delineated community includes MSA 5600 (New York, NY with the exception of Richmond County), MSA 5380 (Nassau-Suffolk, NY), the Orange County portion of MSA 5660 (Newburgh, NY-PA), MSA 2281 (Dutchess County, NY). Also included are portions of Sullivan and Ulster counties, which are not located within MSA's. Since last examination, BONY expanded its market delineation in Sullivan County by adding some Block Numbering Areas ("BNAs") and including all of Dutchess County in its delineated community.

Exhibits 7a through 10a that appear on the following pages contain a break-down of BONY's delineation by census tract. Demographically, BONY's delineation is detailed in Exhibits 7b through 10b. Demographic information for the delineation is based on 1990 Census data.

Low- and moderate-income census tracts are those tracts where the family median income is less than 50 and 80 percent (respectively) of the median family income for the MSA. For counties not within an MSA, low- and moderate-income areas are those Block Numbering Areas less than 80 percent of the median family income for the county.

TOTAL DELINEATION

Exhibit 7a

Tract Characteristics	Total Delineation
Total Number of Tracts	3,176
LESS: Tracts With Zero Population/Housing	65

Tract Characteristics	Total Delineation
Total Number of Tracts	3,176
Tracts Considered for Analysis	3,111
Number of Low/Mod Tracts	882
Percent Low/Mod	28.4%
Number of Minority Tracts*	855
Percent Minority	27.5%
Number L/M & Minority Tracts	554
Percent L/M & Minority	17.8%

* 80% or more minority

Exhibit 7b

Tract Demographics	Total Delineation
Population	11,527,008
Population in Low/Mod Tracts	3,438,425
% of Population in Low/Mod Tracts	29.8%
Market Minority Population	4,844,894
% Minority	42.0%
Minority Population in Low/Mod Tracts	2,656,127
% Minority in Low/Mod Tracts	23.0%
Number of Owner Occupied Units	1,872,130
Owner Occupied Units in Low/Mod Tracts	205,345
% Owner Occupied Units in Low/Mod Tracts	11.0%

The bank has one delineated community which either fully or partially encompasses 13 counties that range from rural to urban in nature. Demographic and economic factors such as employment, housing, income and population vary from county to county. There are approximately 4,256,000 occupied housing units, of which 44 percent are owner-occupied and 56 percent renter-occupied.

Reports on economic conditions in the delineated community suggest that growth slowed in the last quarter of 1995. Retailers were disappointed by December sales results and more corporate downsizings were announced. Downsizing by corporations has had an impact on the delineated community and reports from purchasing managers suggest that manufacturing output in New York City declined. However, strength in New York City's larger non-manufacturing sector more than offset weakness in manufacturing. The unemployment rate increased for New York State from 6.7 percent in March 1995 to 6.9 percent in March 1996.

Rising interest rates in 1994 depressed regional housing markets during the first six months of 1995. The largest drop in sales was registered in the fourth quarter of 1994 when 30 year mortgage rates peaked at 9.1 percent, according to the National Association of Realtors. For the first six months of 1995, total sales in select residential locations of the bank's delineation including Westchester, Nassau and Western Suffolk were still more than 10 percent lower than the comparable year-ago period. However, the rate of decline eased in the second half of 1995 when residential mortgage rates began to move downward.

In the discussion that appears below, the delineation has been broken into three areas; MSA 5600 (New York, NY), MSA 5380 (Nassau-Suffolk, NY) and the Mid-Hudson Valley communities which include the Orange County portion of MSA 5660 (Newburgh, NY-PA), MSA 2281 (Dutchess County, NY) and the non- MSA's (Sullivan and Ulster Counties).

MSA 5600 (NEW YORK, NY)

Exhibit 8a

Tract Characteristics	New York MSA
Total Number of Tracts	2,396
LESS: Tracts With Zero Population/Housing	56
Tracts Considered for Analysis	2,340
Number of Low/Mod Tracts	758
Percent Low/Mod	32.4%
Number of Minority Tracts*	832
Percent Minority	35.6%
Number L/M & Minority Tracts	540
Percent L/M & Minority	23.1%

* 80% or more minority

Exhibit 8b

Tract Demographics	New York MSA
Population	8,141,841
Population in Low/Mod Tracts	2,915,737
% of Population in Low/Mod Tracts	35.8%
Market Minority Population	4,337,043
% Minority	53.3%
Minority Population in Low/Mod Tracts	2,472,582
% Minority in Low/Mod Tracts	30.4%
Number of Owner Occupied Units	1,000,962
Owner Occupied Units in Low/Mod Tracts	104,888
% Owner Occupied Units in Low/Mod Tracts	10.5%

The New York, Kings, Queens and Bronx county portion of MSA 5600, which excludes Richmond County, has approximately 6.9 million residents with a minority population of 4 million or 58 percent. The counties with the largest minority population are the Bronx, with 77 percent, and Kings, with 60 percent. There are 2.7 million housing units, of which 729 thousand or 27 percent are owner-occupied. Of these units, 102 thousand or 14 percent are located in low- and moderate-income census tracts. There are 2,062 census tracts in the four counties, of which 736 or 36 percent are low- and moderate-income census tracts. A total of 324 or 44 percent of these low- and moderate-income tracts are in Kings County. Community contacts with grass-roots organizations and a governmental organization identified the most pressing community credit needs as construction and rehabilitation loans for rental and owner-occupied affordable housing, small business loans under \$5,000, and banking facilities in the South Bronx .

The unemployment rate increased for New York City from 8.4 percent in January 1995 to 9.3 percent in January 1996. In 1995, New York County suffered heavy job losses. As a result, the outer boroughs now account for over 38 percent of the city's private sector jobs. Jobs in Kings County increased 1 percent, the Bronx remained unchanged and Queens suffered a significant drop, 5.9 percent, due to losses in the manufacturing and aviation industries.

The Hudson Valley portion of the MSA, encompassing Westchester, Putnam and Rockland has approximately 1.2 million residents with a minority population of 337 thousand or 28 percent. These counties have 272 thousand owner-occupied housing units. Low- and moderate-income census tracts are located primarily in the City of Yonkers in Westchester County.

The financial services industry, including banking, insurance and securities, continues to be a major contributor to employment and the local economy. However, in response to economic and competitive pressures, this industry has consolidated and downsized during the past decade and is continuing to shift operations outside New York City to Westchester, Putnam, and Rockland counties. The public sector, including federal and municipal agencies, has also suffered the effects of consolidation and reduced revenue which limits the creation of new jobs throughout the MSA. Light industry and manufacturing jobs have been slowly leaving the metropolitan area for the past 30 years. Only in the garment and apparel industries have the job loss recently abated. In contrast, health and human services, education and social services remain strong and continue posting modest job gains.

MSA 5380 (NASSAU-SUFFOLK, NY)

Exhibit 9a

Tract Characteristics	Nassau-Suffolk MSA
Total Number of Tracts	582
LESS: Tracts With Zero Population/Housing	8
Tracts Considered for Analysis	574
Number of Low/Mod Tracts	84
Percent Low/Mod	14.6%
Number of Minority Tracts*	20
Percent Minority	3.5%
Number L/M & Minority Tracts	12
Percent L/M & Minority	2.1%

* 80% or more minority

Exhibit 9b

Tract Demographics	Nassau-Suffolk MSA
Population	2,603,986
Population in Low/Mod Tracts	392,872
% of Population in Low/Mod Tracts	15.1%
Market Minority Population	405,821
% Minority	15.6%
Minority Population in Low/Mod Tracts	142,900
% Minority in Low/Mod Tracts	5.5%
Number of Owner Occupied Units	687,506
Owner Occupied Units in Low/Mod Tracts	81,465
% Owner Occupied Units in Low/Mod Tracts	11.9%

The majority of the low- and moderate-income census tracts are located in Hempstead, Roosevelt and Freeport in Nassau County and in the eastern portion of Suffolk County. The major industries are wholesale, retail, and professional services. However, on Long Island, the defense industry, led by large contractors such as Grumman Corporation and Fairchild Republic, are important to the local economy. Foreign policy changes affecting the defense industry have caused consolidation of operations and eliminated thousands of jobs on Long Island.

The housing and construction industry, also a contributor to growth on Long Island, has declined as reduced employment levels suppressed demand for new housing and commercial space. However, the local economy is rebounding with the growth of small businesses and high-technology employers attracted to the region by its skilled white-collar workforce. This growth is being aided by government and industry programs designed to convert defense manufacturing to private sector markets and retain displaced workers. In a further sign of improvement, both resident employment and the size of the labor force increased in March and over the year. A particularly welcome development has been growth in electronics manufacturing. This growth has further fueled a rising demand throughout the labor market for workers with both technical and business skills. The local economy is in its fourth year of expansion with nonfarm jobs up 7,200, a 0.7 percent increase since March 1995.

MID-HUDSON VALLEY COMMUNITIES: MSA 5660 (NEWBURGH, NY-PA); MSA 2281 (DUTCHESS, NY); NON-MSA (SULLIVAN AND ULSTER, NY)

Exhibit 10a

Tract Characteristics	Mid-Hudson Valley Communities
Total Number of Tracts	198
LESS: Tracts With Zero Population/Housing	1
Tracts Considered for Analysis	197
Number of Low/Mod Tracts	40
Percent Low/Mod	20.3%
Number of Minority Tracts*	3
Percent Minority	1.5%
Number L/M & Minority Tracts	2
Percent L/M & Minority	1.5%

*80% or more minority

Exhibit 10b

Tract Demographics	Mid-Hudson Valley Communities
Population	781,181
Population in Low/Mod Tracts	129,816
% of Population in Low/Mod Tracts	16.6%
Market Minority Population	102,030
% Minority	13.1%
Minority Population in Low/Mod Tracts	40,645
% Minority in Low/Mod Tracts	5.2%
Number of Owner Occupied Units	183,662
Owner Occupied Units in Low/Mod Tracts	19,082
% Owner Occupied Units in Low/Mod Tracts	10.4%

The Mid-Hudson Valley communities, encompass all of Orange and Dutchess counties and portions of Ulster and Sullivan counties. Low- and moderate-income census tracts are located primarily in the cities of Middletown and Newburgh in Orange County, Poughkeepsie in Dutchess County, and Kingston in Ulster. Community contacts with economic development organizations identified the most pressing community credit needs as equipment financing for small businesses and affordable rental and owner-occupied housing for low- and moderate-income families.

Restructuring of business and manufacturing industries is causing widespread job elimination as large corporations cut costs to improve their competitive positions. This restructuring had a major impact on the labor market and economic development of the region, since many eliminated positions will not be replaced. The largest of these reorganizations was at IBM, the leading employer in the region. Other large companies such as General Motors, NYNEX, General Foods, MCI, and Nestle's Foods have also announced plant closings, consolidations, mergers and workforce reductions. Future growth in this region is expected in small and medium size companies, many of which are providing services to the larger downsized firms. Although this growth in service companies will provide some employment opportunities for displaced workers overall, there has been a negative impact upon loan demand from low- and moderate-income areas.

For the Hudson Valley region, the economic spirit of the region was lifted in April 1996 with the announcement of 3,850 Fleet Financial jobs moving into vacant IBM space in Kingston later this year. Although the job opportunities in the Hudson Valley increased seasonally over March 1996, up 4,800 with hiring in construction, trade and services, nonfarm employment was virtually unchanged over the year. The unemployment rate in the Hudson Valley region declined from 5.1 percent in March 1995 to 4.7 percent in March 1996.

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.

BONY's corporate contributions to organizations whose efforts support affordable housing and community development initiatives totaled \$236 thousand for the last six months of 1994 and \$528 thousand for 1995.

BONY's long term municipal holdings from municipalities located within the delineated community totaled \$122 million as of December, 31, 1995. Industrial revenue bond ("IRB") holdings from municipalities located within the delineation totaled \$38 million.

Efforts by the bank to assist individuals and businesses in obtaining credit include:

- Conducting credit training programs for 24 community-based organizations that make loans to existing and start-up small businesses. The objective of these programs was to expose the participants to the elements of making sound, lawful credit decisions and loan servicing processes and procedures.
- BONY is currently working with the Huntspoint Outreach Center to develop a small business underwriting workshop for the organization's staff.

APPENDIX A
SCOPE OF EXAMINATION

SCOPE OF EXAMINATION : FULL SCOPE EXAMINATION INCORPORATING TRADITIONAL GUIDELINES.			
TIME PERIOD REVIEWED	9/1/94 TO 12/30/95		
<u>FINANCIAL INSTITUTION</u> <u>Bank of New York, New York, NY</u>			<u>PRODUCTS REVIEWED</u> <u>Small Business Home Improvement Loans</u>
<u>AFFILIATE(S)</u>	<u>AFFILIATE RELATIONSHIP</u>		<u>PRODUCTS REVIEWED</u>
<u>Bank of New York Mortgage Company</u>	<u>Bank subsidiary</u>		<u>Mortgage loans</u>
<u>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</u>			
<u>ASSESSMENT AREA</u>	<u>TYPE OF EXAMINATION</u>	<u>BRANCHES VISITED</u>	<u>OTHER INFORMATION</u>
<u>NEW YORK</u> <u>MSA 5600 (New York, NY)</u> <u>MSA 5380 (Nassau-Suffolk, NY)</u> <u>MSA 5660 (Newburgh, NY-PA)</u> <u>MSA 2281 (Dutchess County, NY)</u> <u>Non-MSA rural Sullivan and Ulster counties.</u>	<u>On-site</u> <u>On-site</u> <u>On-site</u> <u>On-site</u> <u>On-site</u>	<u>2</u> <u>4</u> <u>0</u> <u>3</u> <u>0</u>	<u>Loan products offered in all areas except the following programs:</u> <u>Offered only in MSA 5600 - New York Mortgage Coalition; Neighborhood Housing Services Closing Cost Assistance; the Cooperative Outreach; and, Neighborhood Rehabilitation Home Improvement Loan Programs</u> <u>Offered only in MSA 5660- the Village of Highland Falls Community Development Home Improvement Loan Program.</u>

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