

PUBLIC DISCLOSURE

April 5, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE BANK OF NEW YORK

**One Wall Street
New York, New York 10286**

Federal Reserve Bank of New York

**33 Liberty Street
NEW YORK, NEW YORK 10045**

NOTE:

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

TABLE OF CONTENTS

General Information.....BB1

InstitutionBB2
 Institution’s CRA Rating.....BB2
 Lending, Investment, and Service Tests Table.....BB4
 Description of Institution.....BB5
 Description of Assessment Areas.....BB6

Map of Assessment AreasBB8

Performance Context.....BB9

Scope of ExaminationBB9

Conclusions With Respect to Performance TestsBB11
 Lending Test.....BB11
 Investment Test.....BB14
 Service Test.....BB15

Compliance With Fair Lending Laws.....BB18

Assessment Area Analyses.....BB19
 Multistate CMSA 5602 (New York-Northern New Jersey-Long Island, NY-NJ-CT).....BB19
 State of New York Rating.....BB37

ExhibitsBB43
 Exhibit 1 – Summary of Key Assessment Area Data.....BB44
 Exhibit 2 – Summary of Assessment Area Lending Activity.....BB45
 Exhibit 3 – Summary of Innovative or Flexible Lending Activity.....BB46
 Exhibit 4 -- Owner-occupied Unit Analysis for Home Purchase Loans Across Census Tract Income Levels
BB
 Exhibit 5 -- Owner-occupied Unit Analysis for Refinancings Across Census Tract Income Levels
BB
 Exhibit 6 – Analysis of Small Business Loans Across Census Tract Income Levels
BB
 Exhibit 7 – Distribution of Home Purchase Loans Across Borrower Income Levels
BB
 Exhibit 8 – Distribution of Refinancings Across Borrower Income Levels
BB
 Exhibit 9 – Distribution of Small Business and Small Farm Loan Activity by Loan Size
BB1
 Exhibit 10 – Summary of Community Development LendingBB47
 Exhibit 11 – Summary of Qualified Investments.....BB48
 Exhibit 12 – Summary of Branches by County/MSABB49

CRA Appendices.....BB50
CRA Appendix A: Scope of Examination.....BB51
CRA Appendix B: Summary of State and Multistate MSA Ratings.....BB52
CRA Appendix C: Glossary.....BB53

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **The Bank of New York** prepared by the **Federal Reserve Bank of New York** ("FRBNY") on behalf of the Board of Governors of the Federal Reserve System, the institution's supervisory agency, as of **April 5, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION

INSTITUTION'S CRA RATING: The Bank of New York ("BNY") is rated "SATISFACTORY;" however, the level of CRA performance is in the low range of a satisfactory rating.

BNY's level of compliance with the CRA is based on an evaluation of the performance criteria for large retail institutions specified under the CRA with respect to the lending, investment and service tests.

Performance under the lending test is rated "low satisfactory" based on the following findings:

- The number and dollar amount of home purchase, refinance, small business, and multifamily loans originated during the examination period demonstrated a poor responsiveness to retail credit needs in BNY's assessment areas, and improvement is needed.
- The overall geographic distribution of retail loans across census tracts of different income levels reflects adequate penetration throughout the assessment areas, but it was particularly weak in PMSA 5600 (New York, NY) where it needs to improve. Abnormally low penetration levels were also noted in other low- and moderate-income ("LMI") geographies in the assessment areas, and improvement is needed.
- The overall distribution of loans among individuals of different income levels and businesses of different sizes was adequate.
- BNY made limited use of several residential loan programs to serve the credit needs of LMI individuals and geographies.
- BNY had a high level of community development lending, which totaled \$409 million.

Performance under the investment test is rated "outstanding" based on the following findings:

- BNY had an excellent level of qualified community development investments and grants.
- Qualified investment activity reflects an excellent responsiveness to credit and community development needs.

Performance under the service test is rated “low satisfactory” based on the following findings:

- BNY’s service-delivery systems are inaccessible to portions of its assessment areas, particularly to LMI geographies or LMI individuals.
- The record of opening and closing branches has not adversely affected the accessibility of the bank’s delivery systems, particularly in LMI geographies and to LMI individuals.
- BNY provides an adequate level of community development services in its assessment areas.

Lending, Investment and Service Tests Table

The following table summarizes the performance level of The Bank of New York with respect to the lending, investment and service tests.

PERFORMANCE LEVELS	<u>THE BANK OF NEW YORK</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory			
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests in determination of the overall rating.

DESCRIPTION OF INSTITUTION

The Bank of New York ("BNY") is the principal subsidiary of The Bank of New York Company, Inc. ("BNY Co."), a New York State-based bank holding company. A full-service commercial bank headquartered in New York, New York, BNY reported \$60 billion in assets as of December 31, 1998. Ranked by total assets, BNY is the 17th largest bank or thrift in the United States and the 5th largest bank based in the New York City metropolitan area.

BNY provides financial services to corporations and individuals. The bank's business lines include: (1) securities servicing and cash processing to both institutional issuers and investors; (2) trust, investment management and private banking; (3) corporate banking providing lending services to domestic and international commercial enterprises; (4) retail banking, including consumer lending, residential mortgage lending, and retail deposit services offered by BNY and its affiliate BNY Mortgage Company, Inc., and (5) financial market services, including trading, investing and leasing activities, and treasury services.

Net loans and leases of \$37 billion represent 62 percent of the bank's assets. The major component of the loan portfolio is foreign loans of \$20 billion (54 percent). Real estate loans and commercial loans each represent \$5 billion (14 percent) of the loan portfolio. As of December 31, 1998, BNY was primarily funded by deposits in domestic offices of \$27 billion, representing 61 percent of liabilities, and deposits in foreign offices of \$17 billion, representing 39 percent of liabilities. The bank's level of foreign loans exceeded its level of foreign deposits as of December 31, 1998.

BNY has a significant market share of the domestic deposits in the states of New York and New Jersey. Ranked by total domestic deposits in New York State, BNY is the fourth largest bank with a 5.5 percent deposit share. Ranked by total domestic deposits in New Jersey, BNY is the eighth largest bank with a 2.3 percent deposit share. The bank's domestic deposit share is less significant in the state of Connecticut. Ranked by total domestic deposits in Connecticut, BNY is the 17th largest bank with a less than 1 percent deposit share. These deposit rankings are based on data supplied by the Federal Deposit Insurance Corporation ("FDIC") for FDIC-insured institutions operating in each state as of June 30, 1998.

The bank's domestic deposits are obtained through a sizable branch network of 361 domestic branch offices across 25 counties in the New York City metropolitan area. BNY operates 255 branches in southern New York State, 98 branches in northern New Jersey, and 8 branches in southern Connecticut. In New York State, BNY has the third largest retail branch network, and in New Jersey, BNY has the sixth largest retail branch network. In 1997, BNY sold its southern New Jersey domestic branch offices as part of its business strategy to exit that market. Branch office rankings also are based on data supplied by the FDIC for FDIC-insured institutions operating in each state as of June 30, 1998.

Effective January 4, 1999, the bank entered into a joint venture with Alliance Mortgage Company, a Jacksonville, Florida-based mortgage company established in 1962. Under the terms of the joint venture agreement, BNY's mortgage affiliate, BNY Mortgage Company, Inc., merged with BNY Mortgage Company LLC ("BNYMC"), an affiliate. BNY will have a 49 percent ownership in BNYMC to provide financing for one- to four-family residential properties, condominiums and cooperative apartments ("co-ops").

Activities considered in evaluation of BNY's CRA performance included those of the mortgage company, and BNY Aurora Holding Corp., a nonbank subsidiary of BNY Co. formed in 1995 to facilitate investment in low-income rental housing development and rehabilitation through low-income housing tax credits.

There are no financial or legal factors that would impede BNY in fulfilling its responsibilities under the CRA. BNY received an overall rating of "satisfactory" at its previous CRA examination conducted as of August 18, 1997.

DESCRIPTION OF ASSESSMENT AREAS

BNY has two assessment areas incorporating the greater New York City metropolitan region, including the lower Hudson River Valley, northern New Jersey, and southern Connecticut. The first assessment area is significant and located in a large portion of Consolidated Metropolitan Statistical Area (“CMSA”) 5602 (New York-Northern New Jersey-Long Island, NY-NJ-CT-PA) in the states of New York, New Jersey and Connecticut.

The second assessment area is small and consists of portions of two nonmetropolitan statistical areas (Non-MSAs) in New York State.

Each assessment area is described below:

CMSA 5602

(New York-Northern New Jersey-Long Island, NY-NJ-CT-PA)

NEW YORK STATE

- PMSA 5600 (New York, NY), consisting of Bronx, Kings, Queens, New York, Putnam, Rockland, and Westchester Counties.
- PMSA 5380 (Nassau-Suffolk, NY), consisting of Nassau and Suffolk Counties.
- PMSA 5660 (Newburgh, NY-PA), consisting of Orange County.
- PMSA 2281 (Dutchess County, NY), consisting of Dutchess County.

NEW JERSEY

- PMSA 5640 (Newark, NJ), consisting of Essex, Union, Morris and Sussex Counties, and northeastern portions of Warren County. Warren County includes the municipalities of Hackettstown, Mansfield, Independence, and Allamuchy.
- PMSA 0875 (Bergen-Passaic, NJ), consisting of Bergen and Passaic Counties.
- PMSA 5190 (Monmouth-Ocean, NJ), consisting of Monmouth County and northern portions of Ocean County. Ocean County includes the municipalities of Bay Head, Beachwood, Berkley, Brick, Dover, Island Heights, Jackson, Lakehurst, Lakewood, Lavallette, Manchester, Ocean Gate, Pine Beach, Plumsted, Point Pleasant, Seaside and Seaside Heights.
- PMSA 5015 (Middlesex-Somerset-Hunterdon, NJ), consisting of Middlesex County.
- PMSA 3640 (Jersey City, NJ), consisting of Hudson County.

CONNECTICUT

- PMSA 8040 (Stamford-Norwalk, CT), consisting of southwestern portions of Fairfield County including the municipalities of Greenwich and Stamford.

- PMSA 1160 (Bridgeport, CT), consisting of southern portions of Fairfield County including the city of Fairfield.

NON-MSAS (NEW YORK STATE)

- Southeastern portion of Sullivan County including the municipalities of Bethel, Fallsburg, Forestburgh, Highland, Liberty, Lumerland, Mamakating, and Thompson.
- Eastern portion of Ulster County including the municipalities of Esopus, Gardiner, Hurley, Kingston, Lloyd, Marbletown, Marlborough, New Paltz, Olive, Plattekill, Rochester, Rosendale, Saugerties, Shawangunk, Ulster, Warwarsing, and Woodstock.

Since the previous examination, BNY's assessment areas were expanded in Connecticut to include the city of Stamford in Fairfield County, and they were reduced in the New Jersey counties of Cape May, Burlington, Somerset, Mercer, Atlantic, and Ocean after the bank sold its southern New Jersey branches.

During the examination, BNY further expanded its assessment area in Connecticut to include the municipalities of Darian, New Canaan, Norwalk, and Westport. BNY's assessment areas are now in technical compliance with the requirements of Section 228.41 of Regulation BB.

The following map illustrates BNY's assessment areas.

INSERT MAP OF assessment area here on separate page

PERFORMANCE CONTEXT

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

BNY's assessment areas, primarily representing the New York City metropolitan region, have a significant population totaling 17,035,119, which includes 4,306,281 families. Of the total number of families, 39 percent are LMI. The assessment areas have 4,556 census tracts of which 30 percent are LMI. Owner-occupied housing units total 3,100,518, of which 386,617 or 12 percent are located in LMI census tracts. Business establishments total 714,112, with 164,008 or 23 percent located in LMI census tracts.

The assessment areas' economy was strong during the review period. Home purchase lending and refinancings set record levels in the mortgage industry in 1998. The strong economy has increased the already high costs of homeownership as home prices rise in response to strong demand. Housing costs in most of the assessment areas continue to be unaffordable to most low-income individuals without subsidies from state, local or federal governments or without assistance from private industry and community development organizations.

Lending, investment, and service opportunities are widely available in BNY's assessment areas. According to community contacts made as part of this examination, affordable owner-occupied housing and rental housing are significant credit needs throughout the assessment areas. Business lending to small businesses in low dollar amounts was noted as another important credit need. The community contacts also said technical assistance is needed in two areas: credit counseling and education on the home purchase and refinance process for LMI borrowers, and the bank loan approval process and credit requirements for small business owners.

Additional economic and demographic information on the assessment areas is found on pages BB20-24 and BB38 and in Exhibit I.

Scope of Examination

This evaluation covers BNY's CRA performance from July 1, 1997, through December 31, 1998. All of the bank's assessment areas were reviewed using the Federal Financial Institutions Examination Council's *Interagency Procedures and Guidelines for Large Retail Institutions*. BNY's performance was evaluated in the Multistate CMSA 5602, which incorporates parts of the states of New York, New Jersey and Connecticut. In addition, performance was evaluated in two Non-MSAs located in New York State. All calculations have been rounded to the nearest whole number.

Overall conclusions regarding the CRA rating were heavily influenced by performance in the four major PMSAs located in CMSA 5602: PMSA 5600 (New York, NY), PMSA 5380 (Nassau-Suffolk, NY), PMSA 5640 (Newark, NJ), and PMSA 0875 (Bergen-Passaic, NJ).

These four PMSAs account for a significant portion of the assessment areas' demographics and BNY's business activities representing the following: 82 percent of the population, 83 percent of the LMI families, 77 percent of the owner-occupied housing units, 83 percent of the census tracts, 87 percent of the LMI census tracts, 80 percent of the retail branch network, 91 percent of the retail branch deposits, 77 percent of the home purchase loan originations, and 83 percent of the small business originations.

Of the four major PMSAs, particular emphasis was placed on BNY's performance in PMSA 5600 (New York, NY). This PMSA is a significant part of the assessment areas as it represents 48 percent of the population, 49 percent of the LMI families, 53 percent of the census tracts, 59 percent of the LMI census tracts, 32 percent of the

owner-occupied housing units, 47 percent of the business establishments, 34 percent of the branch network, and 72 percent of the domestic branch deposits.

Lending products included in the evaluation are small business loans, multifamily loans, home purchase loans and refinancings of such loans ("refinancings"). The home purchase and multifamily loans and refinancings were reported pursuant to Regulation C, the Home Mortgage Disclosure Act ("HMDA") and originated by BNY and its affiliate BNYMC. Home improvement loans were not included in the evaluation because of extremely low volumes resulting from BNY's business strategy to de-emphasize this loan product. No other consumer loans were submitted by the bank for evaluation.

Lending activity for these products was reviewed only for the period January 1, 1998, through December 31, 1998. The lending information for the HMDA-related products originated between July 1, 1997, and December 31, 1997, was reviewed, and a significant number of inaccuracies were found in the applicant income information on the mortgage company's HMDA Loan Application Register ("LAR"). This necessitated the correction and resubmission of the data. The refiled 1997 HMDA information was submitted too late for analysis in this performance evaluation.

For the evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 Census. The distribution of loans to borrowers of different income levels was determined based on 1998 HUD estimated median family income data.

In evaluating the geographic distribution of HMDA-related loans, a demand-adjusted analysis was performed comparing the proportion of loan originations with the proportion of owner-occupied housing units in LMI and non-LMI geographies. For small business loans, a demand-adjusted analysis was performed comparing the proportion of loan originations to the proportion of business establishments in LMI and non-LMI geographies.

BNY's HMDA-related and small business lending was compared with similarly situated bank lenders ("peers") reporting mortgage loans under HMDA and small business loans under CRA in New York, New Jersey and Connecticut. HMDA-related and small business lending performance was also compared with the 1998 aggregate data of all HMDA and small business lenders in BNY's assessment areas. In addition, commercial lending, investments, grants, and services were evaluated as qualifying community development activity.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

BNY's record of meeting the credit needs of its assessment areas through its lending activities is rated low satisfactory. Retail lending volume demonstrated poor responsiveness to the credit needs of the bank's assessment areas and needs to improve. Geographic distribution reflected adequate overall penetration but was particularly weak in PMSA 5600 (New York, NY) where it needs to improve. Abnormally low penetration levels in other LMI geographies were also noted and need to improve. The overall distribution of loans among individuals of different income levels and businesses of different sizes was adequate. Community development lending activity was high and considered outstanding.

Lending Activity

BNY demonstrated poor responsiveness to retail credit needs in its assessment areas, when measured in terms of the number and dollar amount of home purchase, refinance, small business and multifamily loans originated, and improvement is needed. Lending originations increased in 1998 compared with 1997, but overall lending activity continues to be weak in relation to the bank's size, market presence, financial capacity and peer performance.

In 1998, BNY originated 7,366 loans (home purchase, refinance, small business and multifamily) in its assessment areas to retail customers, totaling \$1.1 billion. These originations included small business loans totaling 3,231 or 43.9 percent; home purchase loans numbering 2,564 or 34.8 percent; refinancings representing 1,520 or 20.6 percent; and multifamily loans representing 51 or 0.7 percent of total originations. Of BNY's total lending activity, 96 percent was originated in the assessment area. For details, see Exhibit 2.

BNY's originations in all retail loan categories compare unfavorably with the performance of peers in PMSA 5600 (New York, NY), PMSA 5380 (Nassau-Suffolk, NY), PMSA 5640 (Newark, NJ), and PMSA 0875 (Bergen-Passaic, NJ). BNY consistently ranks in the bottom third in relation to peer banks when comparing overall loan volumes, loans per billion dollars in core deposits, loans per billion dollars in assets, and loans per branch.

Geographic Distribution of Lending

The overall geographic distribution of home purchase and small business loans and refinancings across census tracts of different income levels reflects adequate penetration throughout the assessment areas. Performance varied within the PMSAs comprising CMSA 5602, however, and was particularly weak in PMSA 5600 (New York, NY) and needs to improve. Excellent distribution was noted in PMSA 0875 (Bergen-Passaic, NJ) and PMSA 5380 (Nassau-Suffolk, NY). In PMSA 5640 (Newark, NJ), geographic distribution was considered adequate.

Certain LMI geographies in the assessment areas, however, have abnormally low penetration levels and include home purchase lending and refinancings in the New Jersey cities of Newark, Orange, East Orange, Paterson, Passaic, and New Brunswick; Poughkeepsie, New York; Stamford, Connecticut; and in the New York City areas of northern Manhattan, the Bronx and Kings County. Abnormally low small business loan penetration levels are especially noted in Newark, Orange, East Orange, Paterson, all in New Jersey, and in northern Manhattan, the Bronx and Kings County. BNY's lending penetration levels in these areas need to improve.

Home Purchase Loans

The overall geographic distribution of home purchase loans across census tracts of different income levels reflects good penetration throughout the assessment areas. Performance varied in the PMSAs comprising the CMSA, however, and was only adequate in PMSA 5600 (New York, NY) and PMSA 5640 (Newark, NJ). Home purchase loan distribution was excellent in both PMSA 5380 (Nassau-Suffolk, NY) and PMSA 0875 (Bergen-Passaic, NJ).

In addition, home purchase loan distribution in Essex County was very poor and needs to improve. For details, see Exhibit 4.

Refinancings

The overall geographic distribution of refinancings across census tracts of different income levels reflects adequate penetration throughout the assessment areas. Performance varied within the PMSAs comprising CMSA 5602, however, and was very poor in PMSA 5600 (New York, NY) and PMSA 5640 (Newark, NJ) and needs to improve. Distribution of refinancings was excellent in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 0875 (Bergen-Passaic, NJ).

Nevertheless, the distribution of refinancings was very poor and improvement is needed in Kings and Westchester Counties in New York, Union County and Essex Counties in New Jersey, and Fairfield County, Connecticut. For details, see Exhibit 5.

Small Business Lending

The overall geographic distribution of small business loans across census tracts of different income levels reflects adequate penetration throughout the assessment areas. Performance varied within the PMSAs comprising CMSA 5602, however, and was poor in PMSA 5600 (New York, NY) and only adequate in PMSA 5640 (Newark, NJ), and improvement is needed. Small business loan distribution was good in PMSA 5380 (Nassau-Suffolk, NY) and excellent in PMSA 0875 (Bergen-Passaic, NJ). In addition, distribution of small business loan originations in LMI census tracts was particularly poor in Bronx County and weak in New York County. Very poor LMI small business loan distribution was also noted in Hudson County in PMSA 3640 (Jersey City, NJ). For details, see Exhibit 6.

Multifamily Loans

BNY originated 51 multifamily loans throughout its assessment areas. Nineteen of these loans were made in LMI census tracts. Most of the 51 loans, 34, were originated in PMSA 5600 (New York, NY), which has a significant amount of multifamily housing. Eight multifamily loans originated in PMSA 5600 (New York, NY) were located in LMI census tracts. This performance compared unfavorably with the aggregate of lenders in the market. The bank also compared unfavorably with peer institutions, ranking fifth of eight banks in multifamily loan originations in LMI census tracts in PMSA 5600 (New York, NY).

Borrower Characteristics

The overall distribution of loans among individuals of different income levels and businesses of different sizes was adequate throughout the assessment areas. Small business lending to businesses with gross annual revenues ("GAR") of \$1 million or less reflects an adequate distribution. HMDA-related lending to moderate-income families reflects an overall good distribution, but weaknesses were noted in certain geographies within the CMSA. Specifically, a poor distribution of refinancings to moderate-income borrowers was noted in Essex County, PMSA 1160 (Bridgeport, CT), PMSA 2281 (Dutchess County, NY) and PMSA 3640 (Jersey City, NJ). The bank also had a poor distribution of home purchase lending to moderate-income individuals in PMSA 3640 (Jersey City, NJ).

HMDA-related lending to low-income families reflects an adequate distribution when reviewed against performance context and peer performance. A poor distribution of home purchase lending in Essex County and a poor distribution of refinancings in Morris County were noted as weaknesses in HMDA-related lending to low-income individuals, however. For details, see Exhibits 7 through 9.

Innovative or Flexible Lending Practices

BNY, through its affiliate, BNYMC, made limited use of several residential loan programs to serve the credit needs of LMI individuals and geographies in its assessment areas. In 1998, the bank originated 551 loans totaling \$58.6 million either to LMI borrowers or in LMI geographies using 18 flexible lending programs. BNY created 3 of the 18 programs. None of the programs were considered innovative. Only one, the BNY LMI Census Tract Program, was targeted specifically to LMI individuals or geographies.

Most of the flexible loan programs were unsuccessful in generating significant loan volume. The loan programs with the most significant volume were the State of New York Mortgage Association's ("SONYMA") Low Interest Rate Program and the BNY LMI Census Tract Program. For details, see Exhibit 3.

Community Development Lending

BNY's community development lending performance was outstanding. During the examination period, community development loan commitments totaled \$409.1 million, of which \$286.9 million or 70.1 percent were commitments originated since the previous examination. Commitments at this examination represent an increase of 104.2 percent since the previous examination when community development lending totaled \$200.3 million. For details, see Exhibit 10.

INVESTMENT TEST

BNY's performance under the investment test is rated outstanding. The bank had a significant level of qualified investments, exhibited a high level of responsiveness, and made good use of innovative and complex investments to address community development needs.

Dollar Amount of Qualified Investments

The bank's level of qualified investments was significant, totaling \$89.7 million at this examination. This total consisted of \$89.4 million in investments in various entities engaged in community development activity and \$352 thousand in charitable grants and contributions to organizations supporting community development programs. New qualified investments made during the examination period represent \$29.8 million or 33.2 percent of the total. Compared with the previous examination, total qualified investments at this examination increased 20.6 percent. For details, see Exhibit 11.

Responsiveness of Qualified Investments to Credit and Community Development Needs

BNY demonstrated a high level of responsiveness to the most pressing community development needs in its assessment areas. Ninety-nine percent of investments, or \$88.6 million, were directed to agencies engaged in affordable housing development, which community contacts said is a primary need in the bank's assessment areas.

Innovative and Complex Investments

BNY made good use of innovative and complex investments to support community development initiatives. Qualified investments vary from investments in small business loan pools to investments in low-income housing tax credit ("LIHTC") projects. The bank invested \$77.6 million or 86.5 percent of its qualified investments in LIHTC projects.

SERVICE TEST

BNY's performance under the service test is rated low satisfactory based on BNY's marginally satisfactory record of providing banking services in its assessment areas, particularly to LMI individuals and in LMI geographies. Delivery systems are inaccessible to portions of the assessment areas. The bank's record of opening and closing branches during the review period, however, has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. Hours and services do not vary in a way that inconveniences certain portions of its assessment areas. BNY provides an adequate level of community development services in its assessment areas.

Retail Banking Services

Accessibility of Delivery Systems

Delivery systems are accessible to limited portions of BNY's assessment areas. The main system for delivering retail credit and non-credit services is through the branch network. In addition to the branch network, BNY offers automated teller machines ("ATMs"), loan production offices, drive-up windows, and banking by telephone and by personal computer ("PC").

Branch Network

As of December 31, 1998, BNY operated 355 full-service branches and 6 limited-service branches featuring drive-up windows in its New York, New Jersey and Connecticut assessment areas.

Fifty-two, or 14 percent of branches, are located in LMI census tracts. For details, see Exhibit 12.

The distribution of branches in LMI census tracts (14 percent) does not reflect the overall census tract distribution in the assessment areas. The assessment areas have 4,556 census tracts, of which 1,372 (30 percent) are LMI. Of the total families in the assessment area, 26 percent reside in the LMI census tracts.

Accessibility of banking services to LMI families is particularly limited in Kings and Bronx Counties in New York and Union County in New Jersey. These counties have large concentrations of LMI tracts and LMI families without branch services. Forty-two percent of all assessment area LMI census tracts and 30 percent of all assessment area LMI families are in these three counties.

Specifically, 25 percent of all LMI census tracts and 17 percent of all LMI families in the assessment areas are located in Kings County. Fifteen percent of all LMI census tracts and 10 percent of all LMI families in the assessment areas are located in Bronx County. Two percent of all LMI census tracts and 3 percent of all LMI families in the assessment areas are located in Union County.

Accessibility to LMI families in counties with branches is also limited. Essex County, which also has a large concentration of LMI families, has one (17 percent) of six branches located in an LMI census tract. Sixty-two percent of census tracts and 47 percent of families in Essex County are LMI.

Despite the bank's efforts to make credit products available through telemarketing and mass mailings, loan penetration levels in areas with significant LMI populations (Kings and Bronx Counties in New York, and Union and Essex Counties in New Jersey) continue to be weak.

Availability and Effectiveness of Alternate Systems for Delivering Retail Services

BNY's alternate service-delivery systems do not significantly enhance the availability and effectiveness of retail credit and non-credit services in LMI geographies or to LMI individuals.

Record of Opening and Closing of Branches

To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals.

Since the previous examination, four branches opened and eight branches closed. None of the four branches opened were located in a LMI tract. Only one of the eight branches closed was located in a moderate-income tract.

The branch closings were conducted in accordance with BNY's written branch closing policy, which complies with Section 42 of the Federal Deposit Insurance Act, implemented by the *Joint Interagency Policy Statement Regarding Branch Closings*. The bank's policy requires that, before taking action, management consider factors including, but not limited to, alternatives and demand for service delivery, economic performance of the branch, and the potential impact on the local community. The policy also requires timely advance notification to applicable regulatory agencies and affected customers.

Eleven branches were sold in New Jersey as part of BNY's strategy to exit the southern New Jersey market. Two of these branches were located in LMI tracts.

Reasonableness of Business Hours and Services, and the Degree to Which They Meet Assessment Area Needs

BNY's business hours and services do not vary in a way that inconveniences certain portions of its assessment areas, particularly LMI geographies and LMI individuals. All branches, except limited-service branches, offer the same products and services, including checking and deposit services, debit and credit cards, and various consumer loans and lines of credit, home mortgage, refinancings, and home improvement loans. Business checking, savings and credit services are also offered. Limited service branches provide only drive-up windows that offer teller services to customers.

Ninety-eight percent of full-service branches including LMI branches have extended business hours one day a week and/or Saturday hours.

BNY's six limited-service branches were downsized from full-service to drive-up branches. Three of these, or 50 percent, were in LMI tracts. Customers' accounts were transferred to nearby branches, and information concerning the transfers was conveyed in advance by customer notice.

Community Development Services

BNY provides an adequate level of services, including seminars and technical assistance, to various organizations that are responsive to the community development needs in the bank's assessment areas.

Seminars

During the examination period, BNY sponsored or participated in 45 mortgage lending seminars and training activities targeted to LMI individuals or activities in LMI census tracts. In addition, 12 reverse mortgage seminars primarily for senior citizens were held.

Technical Assistance

Fifty-three community development services in the form of technical assistance were provided to 49 community and economic development corporations.

BNY employees serve as directors on the boards of Neighborhood Housing Services CityWide, Fannie Mae Partnership NYC, and the New York Mortgage Coalition. Other employees provide technical assistance including loan consulting to the Westchester Housing Fund, serve on the credit committee at the New York Business Development Corporation, assist in policy development and loan approval at the Paterson (New Jersey) Small Business Loan Fund, and develop housing and economic development strategies for the Affordable Housing Network of New Jersey.

COMPLIANCE WITH FAIR LENDING LAWS

No credit practices were identified that violated the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B) and the Fair Housing Act. Technical violations of the Home Mortgage Disclosure Act (Regulation C) were noted. As discussed earlier, the bank was required to correct and resubmit the applicant income information on BNYMC's 1997 HMDA LAR.

MULTISTATE CMSA 5602
(NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-CT)

CRA RATING FOR MULTISTATE CMSA 5602: "SATISFACTORY."

The lending test is rated: Low Satisfactory.

The investment test is rated: Outstanding.

The service test is rated: Low Satisfactory.

The ratings for CMSA 5602 reflect BNY's overall composite and component ratings because the geographic assessment area rated for the overall bank is substantially similar to the Multistate CMSA 5602.

Overall, the bank's performance in the Multistate CMSA 5602 was marginally satisfactory, based on the following summary conclusions:

- The number and dollar amount of home purchase, refinance, small business, and multifamily loans originated demonstrated a poor responsiveness to retail credit needs in the CMSA and need to improve.
- The overall geographic distribution of retail loans across census tracts of different income levels reflects adequate penetration in the CMSA, but it was particularly weak in PMSA 5600 (New York, NY) and needs to improve. Abnormally low penetration levels were also noted in other assessment area LMI geographies, and improvement is needed.
- The overall distribution of loans among individuals of different income levels and businesses of different sizes was adequate.
- BNY's service-delivery systems are inaccessible to portions of its assessment area, particularly LMI geographies or LMI income individuals.
- The record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals.

DESCRIPTION OF INSTITUTION'S OPERATIONS

This assessment area contains essentially all of BNY's operations and is weighted heavily in BNY's overall CRA performance. As of December 31, 1998, 354 of 361 branches (98 percent) and over 99 percent of BNY's retail deposits were located in this assessment area. During the examination period, 98 percent of BNY's home purchase loans and refinancings were originated in this assessment area. In addition, BNY originated 99 percent of its small business loans in this assessment area. For a detailed description of the geographies located in the CMSA 5602 assessment area, see page BB6.

PERFORMANCE CONTEXT

Demographic Characteristics

The assessment area portion of CMSA 5602 has a population of 16.8 million, with 67.4 percent of the population in the New York portion of the CMSA, 31.3 percent of the population in the New Jersey portion of the CMSA, and the remaining 1.3 percent of the population in the Connecticut portion of the CMSA. PMSA 5600 (New York, NY) and PMSA 5380 (Nassau-Suffolk, NY) together have 64.1 percent of the population of the CMSA 5602 assessment area. PMSA 5640 (Newark, NJ) and PMSA 0875 (Bergen-Passaic, NJ) have 18.6 percent of the population of the CMSA 5602 assessment area.

Income Characteristics

The 1990 median family income for CMSA 5602 is \$45,058, higher than \$36,865 for PMSA 5600 (New York, NY), but lower than the other significant PMSAs that comprise this geography. Based on the 1990 Census, of the 4,362 census tracts considered for the analysis, 1,240 or 28.4 percent are LMI. PMSA 5600 (New York, NY) contains 758 or 61.1 percent of the LMI tracts and PMSA 5640 (Newark, NJ) contains 168 or 13.5 percent of the LMI tracts. The 1990 Census also indicates that 39.5 percent of the families residing in the CMSA are upper-income, 21.7 percent are middle-income, 17.2 percent are moderate-income, and 21.7 percent are low-income.

Housing Characteristics

The CMSA contains 6.6 million housing units, of which 46.3 percent are owner-occupied. The median age of the housing stock is 41 years, slightly older than the New York State median of 39 years and less than the New Jersey and Connecticut median of 45 years. In LMI census tracts, 21.5 percent of the housing units are owner-occupied. The median housing value of \$188 thousand is higher than the New York State median of \$130 thousand, the New Jersey median of \$161 thousand and the Connecticut median of \$177 thousand. The median gross rent of \$540 is higher than the New York State median of \$486, but lower than the New Jersey median of \$592 and the Connecticut median of \$598.

Labor, Employment and Economic Characteristics

The New York City economy is rebounding from a sharp economic downturn that occurred between 1989 and 1992. As a result, the urban counties in New Jersey and Connecticut that are in close proximity to New York City benefit from the city's strong economy. The current private-sector expansion is broad-based with every sector except manufacturing adding jobs. The primary job generators were services, wholesale/retail trade, and finance/insurance/real estate. A strong local economy and a booming financial industry have contributed to the retail and services sector growth. The wealth created by Wall Street has generated strong tax revenues, raised home prices, attracted high-end retailers, and led to a marked improvement in the commercial real estate market. This has had a rippling effect throughout the New Jersey and Connecticut counties in CMSA 5602.

In November 1998, the unemployment rate for New York State was 5.1 percent, lower than the 5.9 percent recorded the year before. In November 1998, the unemployment rate for New Jersey was 4.2 percent, lower than the 4.6 percent recorded the year before. In December 1998, the unemployment rate for Connecticut was 3.1 percent, significantly lower than the 4.5 percent recorded the previous year.

PMSA 5600 (New York, NY)

BNY's assessment area in PMSA 5600 (New York, NY) includes four of the five counties in New York City (Bronx, Kings, New York, and Queens Counties) as well as the suburban counties of Putnam, Rockland, and Westchester. The PMSA is the largest with a population of 8.2 million, which is 48.6 percent of the population of CMSA 5602. The New York City population accounts for 85 percent of the population of the PMSA.

Income Characteristics

The 1990 median family income for PMSA 5600 (New York, NY) is \$36,865, significantly lower than \$45,058 for CMSA 5602 and the other major PMSAs. The 1998 HUD-adjusted median family income for the PMSA is \$49,800. The three suburban counties have higher median family incomes than the New York City counties. The average 1990 median family income for the four counties in New York City is \$33,192, while the average for the three suburban counties is \$59,489.

Based on the 1990 Census, of the 2,340 census tracts considered for the analysis, 758 or 32.4 percent are LMI. Kings County contains 324 or 42.7 percent of the LMI tracts, and Bronx County contains 192 or 25.3 percent of the LMI tracts. The 1990 Census also indicates that 40.8 percent of the families residing in the PMSA are upper-income, 18.3 percent are middle-income, 15.4 percent are moderate-income, and 25.6 percent are low-income.

Housing Characteristics

The PMSA contains 3.3 million housing units, of which 30.2 percent are owner-occupied. The PMSA housing units account for 50.2 percent of the CMSA housing units and 32.8 percent of CMSA owner-occupied housing units. In LMI census tracts, 10 percent of the housing units are owner-occupied. The PMSA median housing value of \$212 thousand is higher than the CMSA 5602 median of \$188 thousand. Bronx County has the lowest median housing value with \$173 thousand, and New York County has the highest median housing value with \$471 thousand. The PMSA median gross rent of \$501 is lower than the CMSA 5602 median of \$540. Bronx County has the lowest median gross rent with \$443, and Putnam County has the highest median gross rent with \$765.

Labor, Employment and Economic Characteristics

As previously mentioned, the New York City economy is rebounding from the sharp economic downturn of 1989-1992. Since 1993, the growth in private sector jobs has been steady, accelerating in the 12-month period ended July 1998 with 85,800 new jobs for a 3 percent gain. Wall Street prosperity has generated strong tax revenues, raised home prices, attracted high-end retailers, and led to a marked improvement in the commercial real estate market. Despite the increases in job opportunities, New York City still has comparatively high unemployment. Although the city's unemployment rate dropped from 8.4 percent in November 1997 to 7.6 percent in November 1998, it still remains high compared with 5.1 percent for New York State. Bronx County has the highest unemployment rate with 9.7 percent, followed by Kings County with 8.9 percent, New York County with 6.7 percent, and Queens County, 6.5 percent.

The Hudson Valley region including Putnam, Rockland, and Westchester Counties has a concentration of manufacturing jobs. Employment in research and development-intensive industries is shifting dramatically toward service industries and high-tech occupations involved in the production of services. The region has one of the lowest unemployment rates in New York State with 2.9 percent in November 1998, down from 3.6 percent in the prior year. Putnam County has the lowest unemployment rate with 2.3 percent, and Rockland and Westchester Counties are tied with 2.8 percent. For details, see Exhibit 1.

PMSA 5380 (Nassau-Suffolk, NY)

BNY's assessment area in PMSA 5380 (Nassau-Suffolk, NY) includes Nassau and Suffolk Counties. This is the second largest PMSA with a population of 2.6 million, which is 15.5 percent of the population of CMSA 5602.

Income Characteristics

The 1990 median family income for PMSA 5380 (Nassau-Suffolk, NY) is \$56,726, the highest among all the PMSAs in New York and New Jersey and significantly higher than \$45,058 for CMSA 5602. The 1998 HUD-adjusted median family income for the PMSA is \$70,200. Nassau County has a higher 1990 median family income with \$60,619 compared with \$53,247 for Suffolk County.

Based on the 1990 Census, of the 574 census tracts considered for the analysis, 84 or 14.6 percent are LMI. Suffolk County contains 63 of the LMI tracts, or 75 percent, and Nassau County contains 21 LMI tracts, or 25 percent. The 1990 Census also indicates that 38.1 percent of the families residing in the PMSA are upper-income, 26.3 percent are middle-income, 19.3 percent are moderate-income, and 16.4 percent are low-income.

Housing Characteristics

The PMSA contains 928 thousand housing units, of which 74.1 percent are owner-occupied. The PMSA housing units account for 14.1 percent of the CMSA housing units and 22.6 percent of CMSA owner-occupied housing units. In LMI census tracts, 53.6 percent of the housing units are owner-occupied. The PMSA median housing value of \$186 thousand approximates the CMSA 5602 median of \$188 thousand. Nassau County has the higher median housing value with \$209 thousand compared with \$165 thousand for Suffolk. The PMSA median gross rent of \$778 exceeds the CMSA 5602 median of \$540. Suffolk County's median gross rent is \$802 compared with \$749 for Nassau County.

Labor, Employment and Economic Characteristics

Nassau County, initially a bedroom community with strong economic ties to New York City, has evolved over the last 50 years into a densely developed suburban and urban county with a strong economic base. During 1998, Long Island experienced positive job growth in the private sector. From November 1997 to November 1998, the private sector job count rose 21,400 or 2.3 percent recovering jobs lost in the 1989-1992 downturn. By November 1998, the unemployment rate was at a low of 2.7 percent, down from 3.6 percent from the prior year. Nassau County had the lower unemployment rate of 2.4 percent compared with 3 percent for Suffolk County. For details, see Exhibit 1.

PMSA 5640 (Newark, NJ)

BNY's assessment area in PMSA 5640 (Newark, NJ) includes Essex, Union, Morris, and Sussex Counties and a portion of Warren County. The PMSA has a population of 1.8 million, which is 11 percent of the population of CMSA 5602. Essex County population accounts for 42.1 percent of the population of the PMSA.

Income Characteristics

The 1990 median family income for PMSA 5640 (Newark, NJ) is \$50,321, higher than \$45,058 for CMSA 5602. The 1998 HUD-adjusted median family income for the PMSA is \$64,700. Essex County has the lowest 1990 median family income with \$42,151, and Sussex County has the highest with \$66,474.

Based on the 1990 Census, of the 452 census tracts considered for the analysis, 168 or 37.2 percent are LMI. Essex County contains 132 tracts or 78.6 percent of the LMI tracts, and Union County contains 32 or 19 percent of the LMI tracts. Morris and Sussex Counties contain three and one LMI census tracts, respectively, and Warren County contains no LMI census tracts. The 1990 Census also indicates that 39 percent of the families residing in the PMSA are upper-income, 23.3 percent are middle-income, 17.6 percent are moderate-income, and 20.1 percent are low-income.

Housing Characteristics

The PMSA contains 702 thousand housing units, of which 55.6 percent are owner-occupied. The PMSA housing units account for 10.7 percent of the CMSA housing units and 12.8 percent of CMSA owner-occupied housing units. In LMI census tracts, 24.3 percent of the housing units are owner-occupied. The PMSA median housing value of \$190 thousand approximates the CMSA 5602 median of \$188 thousand. Warren County has the lowest median housing value with

\$159 thousand, and Morris County has the highest median housing value with \$216 thousand. The PMSA median gross rent of \$583 is higher than the CMSA 5602 median of \$540. Essex County has the lowest median gross rent with \$528, and Sussex County has the highest median gross rent with \$779.

Labor, Employment and Economic Characteristics

In November 1998, the unemployment rate for the PMSA was 4 percent, slightly lower than the state unemployment rate of 4.2 percent. Essex County had the highest rate with 5.2 percent, followed by Union County with 4.3 percent, Warren County with 3.5 percent, Sussex County with 3 percent and Morris County with 2.5 percent. From April 1996 to March 1999, PMSA 5640 (Newark, NJ) experienced its fastest rate of job growth since the 1980s. The area gained 51,400 jobs, a 5.6 percent increase, although this increase fell short of the averages for the northern New Jersey region (6.5 percent) and the state (6.3 percent). More than half of the employment gain was in the service sector, where 26,400 jobs were added. One quarter of the gain was posted in wholesale/retail trade, where 11 thousand jobs were created. For details, see Exhibit 1.

PMSA 0875 (Bergen-Passaic, NJ)

BNY's assessment area in PMSA 0875 (Bergen-Passaic, NJ) including Bergen and Passaic Counties has a population of 1.3 million, which is 7.6 percent of the population of CMSA 5602.

Income Characteristics

The 1990 median family income for PMSA 0875 (Bergen-Passaic, NJ) is \$52,659, higher than \$45,058 for CMSA 5602. The 1998 HUD-adjusted median family income for the PMSA is \$67 thousand. Bergen County has a higher 1990 median family income with \$57,760 compared with \$43,074 for Passaic County. Based on the 1990 Census, of the 264 census tracts considered for the analysis, 68 or 25.8 percent are LMI. Passaic County contains 42 or 61.8 percent of the LMI tracts, and Bergen County contains 26 or 38.2 percent of the LMI tracts. The 1990 Census also indicates that 38.9 percent of the families residing in the PMSA are upper-income, 23.6 percent are middle-income, 18.9 percent are moderate-income, and 18.6 percent are low-income.

Housing Characteristics

The PMSA contains 487 thousand housing units, of which 60.8 percent are owner-occupied. The PMSA housing units account for 7.4 percent of the CMSA housing units and 9.7 percent of CMSA owner-occupied housing units. In LMI census tracts, 32.7 percent of the housing units are owner-occupied. The PMSA median housing value of \$213 thousand exceeds the CMSA 5602 median of \$188 thousand. Bergen County has the higher median housing value with \$226 thousand compared with \$185 thousand for Passaic County. The PMSA median gross rent of \$646 is higher than the CMSA 5602 median of \$540. Bergen County has the higher median gross rent with \$689 compared with \$583 for Passaic County.

Labor, Employment and Economic Characteristics

The PMSA is currently undergoing economic expansion, marked by employment shifts from manufacturing to service. This employment change negatively impacts older urban areas, while service growth tends to be concentrated in suburban areas. During the first quarter of 1999, employment in the services industry grew by 5,000 and accounted for almost three-fourths of the region's new jobs. Much of the job gain in business services occurred in Bergen County.

In November 1998, the unemployment rate for the PMSA was 3.9 percent, slightly lower than the state unemployment rate of 4.2 percent. Bergen County had the lower rate with 3.2 percent, while Passaic County had 5.3 percent. As a result of high unemployment levels and economic development needs, the New Jersey Department of Commerce designated the cities of Passaic and Paterson Urban Enterprise Zones. There are 42,947 small businesses with individual GAR of \$1 million or less in the PMSA, comprising 80.7 percent of total business establishments. For details, see Exhibit 1.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CMSA 5602 (NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-CT)

LENDING TEST

BNY's record of meeting the credit needs of Multistate CMSA 5602 through its lending activities is rated low satisfactory. Retail lending volume demonstrated poor responsiveness to the retail credit needs of the assessment area and needs to improve. Geographic distribution reflected adequate penetration overall, but it was particularly weak in PMSA 5600 (New York, NY) and needs to improve. Abnormally low penetration levels in other LMI geographies in the assessment area were also noted and need to improve. The overall distribution of loans among individuals of different income levels and businesses of different sizes was adequate. Community development lending activity was high and considered outstanding.

Lending Activity

BNY demonstrated a poor responsiveness to retail credit needs in Multistate CMSA 5602, considering the number and amount of home purchase, refinance, small business and multifamily loans originated. Lending originations increased in 1998 compared with 1997, but overall lending activity continues to be weak in relation to the bank's size, market presence, financial capacity and peer performance.

In 1998, BNY originated 7,366 loans (home purchase, refinance, small business, and multifamily) to retail customers, totaling \$1.1 billion in the assessment area. Small business loans numbered 3,231 or 43.9 percent; home purchase loans represented 2,564 or 34.8 percent; refinancings represented 1,520 or 20.6 percent; and multifamily loans represented 51 or 0.7 percent of total originations. Of the BNY's total lending activity, 96 percent was originated in the assessment area. For details, see Exhibit 2.

BNY's originations in all retail loan categories compare unfavorably with the performance of peers in PMSA 5600 (New York, NY), PMSA 5380 (Nassau-Suffolk, NY), PMSA 5640 (Newark, NJ), and PMSA 0875 (Bergen-Passaic, NJ). BNY consistently ranks in the bottom third in relation to peer banks when comparing overall loan volumes, loans per billion dollars in core deposits, loans per billion dollars in assets, and loans per branch.

Although BNY has the fourth largest deposit market share and third largest retail branch network in New York State, BNY's mortgage subsidiary ranked only 22nd and 30th in market share of all HMDA reportable loans originated in PMSA 5600 (New York, NY) and PMSA 5380 (Nassau-Suffolk, NY), respectively. In particular, the market share for home purchase loan and refinancing originations declined from 1.7 percent in 1996 to 1.3 percent in 1998 in PMSA 5600 and remained at 1 percent in PMSA 5380.

BNY has the eighth largest deposit market share and the sixth largest retail branch network in New Jersey, but its mortgage subsidiary ranked only 60th and 49th in market share of all HMDA reportable loans originated in PMSA 5640 (Newark, NJ) and PMSA 0875 (Bergen-Passaic, NJ), respectively. In particular, the market share for home purchase loan and refinancing originations declined from 0.8 percent in 1996 to 0.7 percent in 1998 in PMSA 0875 and remained at 0.4 percent in PMSA 5640.

BNY's presence in the small business loan market was also weak in relation to the bank's size and financial capacity. For small business lending, BNY ranked only tenth in market share of all banks reporting CRA small business loans in PMSA 5600 (New York, NY) and PMSA 5380 (Nassau-Suffolk, NY). In PMSA 5640 (Newark, NJ) and PMSA 0875 (Bergen-Passaic, NJ), BNY ranked only 16th and 13th, respectively, in market share of all banks reporting CRA small business loans.

Geographic Distribution of Lending

The overall geographic distribution of home purchase, refinance and small business loans across census tracts of different income levels reflects adequate penetration throughout CMSA 5602. Performance varied within the PMSAs comprising the CMSA, however, and was particularly weak in PMSA 5600 (New York, NY). Excellent distribution was noted in PMSA 0875 (Bergen-Passaic, NJ) and PMSA 5380 (Nassau-Suffolk, NY). In PMSA 5640 (Newark, NJ), geographic distribution is considered adequate.

Certain geographies in the assessment area have abnormally low penetration levels. The geographies especially noted include the following: Home purchase lending and refinancings in the New Jersey cities of Newark, Orange, East Orange, Paterson, Passaic, and New Brunswick; Poughkeepsie, New York; Stamford, Connecticut; and in the New York City areas of northern Manhattan, the Bronx and Kings County. Abnormally low small business loan penetration levels are especially noted in Newark, Orange, East Orange, Paterson, all in New Jersey, and in northern Manhattan, the Bronx and Kings County.

Home Purchase Loans

The overall geographic distribution of home purchase loans across census tracts of different income levels reflects good penetration throughout the CMSA. Performance varied in the PMSAs comprising the CMSA, however, and was only adequate in PMSA 5600 (New York, NY) and PMSA 5640 (Newark, NJ). Home purchase loan distribution was excellent in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 0875 (Bergen-Passaic, NJ).

In PMSA 5600 (New York, NY), BNY originated only 5.8 percent of home purchase loans in LMI census tracts while 10.5 percent of owner-occupied units in the PMSA are located in LMI census tracts. BNY's performance compared unfavorably with the majority of its peers and significantly underperformed the aggregate lenders in the market.

In PMSA 5640 (Newark, NJ), BNY originated 8.7 percent of home purchase loans in LMI census tracts while 13.3 percent of owner-occupied units in this PMSA are located in LMI census tracts. BNY's geographic distribution compared favorably with only three peer banks and underperformed the aggregate lenders in the market. In addition, home purchase loan distribution in Essex County was very poor and needs to improve.

Excellent geographic distribution was noted in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 0875 (Bergen-Passaic, NJ). In these PMSAs, the percentage of LMI home purchase loans originated was greater than the percentage of owner-occupied units located in LMI census tracts.

Refinancings

The overall geographic distribution of refinancings across census tracts of different income levels reflects adequate penetration throughout the CMSA. Performance varied within the PMSAs comprising the CMSA, however, and was very poor in PMSA 5600 (New York, NY) and PMSA 5640 (Newark, NJ). Home purchase loan distribution was excellent in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 0875 (Bergen-Passaic, NJ).

In PMSA 5600 (New York, NY), BNY originated only 2.5 percent of refinancings in LMI census tracts while 10.5 percent of owner-occupied units in the PMSA are located in LMI census tracts. BNY's performance compared unfavorably with all peers and significantly underperformed the aggregate lenders in the market. In addition, distribution of refinancings in Kings and Westchester Counties was particularly poor and needs to improve.

In PMSA 5640 (Newark, NJ), BNY originated 0.78 percent of refinancings in LMI census tracts while 13.3 percent of owner-occupied units in PMSA 5640 are located in LMI census tracts. BNY's geographic distribution compared unfavorably with all peers and significantly underperformed the aggregate lenders in the market. In addition, distribution of refinancings was weak in Union County and very poor in Essex County and needs to improve.

Excellent geographic distribution was noted in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 0875 (Bergen-Passaic, NJ). In these PMSAs, the percentage of LMI refinancings originated was greater than the percentage of owner-occupied units located in LMI census tracts.

Poor distribution of refinancings was also noted in Fairfield County, Connecticut, in PMSA 8040 (Stamford-Norwalk, CT).

Small Business Lending

The overall geographic distribution of small business loans across census tracts of different income levels reflects adequate penetration throughout the CMSA. Performance varied within the PMSAs comprising the CMSA, however, and was poor in PMSA 5600 (New York, NY) and only adequate in PMSA 5640 (Newark, NJ). Small business loan distribution was good in PMSA 5380 (Nassau-Suffolk, NY) and excellent in PMSA 0875 (Bergen-Passaic, NJ).

In PMSA 5600 (New York, NY), BNY originated only 10.6 percent of small business loans in LMI census tracts while 26.9 percent of business establishments in the PMSA are located in LMI census tracts. BNY's performance compared unfavorably with all peer banks and significantly underperformed the aggregate lenders in the market. In addition, distribution of small business loan originations in LMI census tracts was particularly poor in Bronx County and weak in New York County.

In PMSA 5640 (Newark NJ), BNY originated 13.9 percent of small business loans in LMI census tracts while 22.3 percent of business establishments in PMSA 5640 are located in LMI census tracts. BNY's geographic distribution compared favorably with only two similarly situated peer banks and underperformed the aggregate lenders in the market.

Geographic distribution was excellent in PMSA 0875 (Bergen-Passaic, NJ) and good in PMSA 5380 (Nassau-Suffolk, NY). In these PMSAs, the percentage of LMI home purchase loans originated was greater than or near the percentage of owner-occupied units located in LMI census tracts.

Very poor distribution of LMI small business loan was noted in Hudson County in PMSA 3640 (Jersey City, NJ).

Multifamily Loans

BNY originated 51 multifamily loans throughout the assessment area, with 19 loans made in LMI census tracts. Most of these loans, 34, were originated in PMSA 5600 (New York, NY), which has a significant amount of multifamily housing. Eight of the multifamily loans originated in PMSA 5600 (New York, NY) were located in LMI census tracts. This performance compared unfavorably with the aggregate lenders in the market. When compared with peer financial institutions, the bank ranked fifth of eight banks in multifamily loan originations in LMI census tracts in PMSA 5600 (New York, NY).

Borrower Characteristics

The overall distribution of loans among individuals of different income levels and businesses of different sizes was adequate. Small business lending to businesses with GAR of \$1 million or less reflects an adequate distribution. HMDA-related lending to moderate-income families reflects an overall good distribution, but weaknesses were noted in certain geographies in the CMSA. HMDA-related lending to low-income families reflects an adequate distribution when reviewed against performance context and peer performance, but weaknesses were noted in certain geographies in the CMSA. For details, see Exhibit 7.

HMDA-related Lending to Moderate-income Families

The distribution of HMDA-related loans to moderate-income borrowers in the CMSA was good. Performance varied in PMSAs comprising the CMSA and was only adequate in PMSA 5600 (New York, NY). The distribution of HMDA-related lending to moderate-income borrowers in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 5640 (Newark, NJ) was outstanding. In PMSA 0875 (Bergen-Passaic, NJ), the distribution of HMDA-related lending to moderate-income borrowers was good.

Home Purchase Loans

The distribution of home purchase loans to moderate-income borrowers was excellent. An excellent distribution to moderate-income borrowers was noted in PMSA 5380 (Nassau-Suffolk, NY) and PMSA 5640 (Newark, NJ). In PMSA 5380 (Nassau-Suffolk, NY), the bank originated 33 percent of home purchase loans to moderate-income borrowers while 19 percent of families are moderate-income. In PMSA 5640 (Newark, NJ), the bank originated 21 percent of home purchase loans to moderate-income borrowers while 18 percent of families are moderate-income.

In PMSA 5600 (New York, NY) and PMSA 0875 (Bergen-Passaic, NJ), distribution of home purchase lending to moderate-income borrowers was good. In PMSA 5600 (New York, NY), the bank originated 14 percent of home purchase loans to moderate-income borrowers while 15 percent of families are moderate-income. In PMSA 0875 (Bergen-Passaic, NJ), BNY originated 16 percent of home purchase loans to moderate-income borrowers while 19 percent of families are moderate-income.

After consideration of performance context and peer performance, home purchase lending to moderate-income families was found to be weak and needs improvement in PMSA 3640 (Jersey City, NJ), which has over 22 thousand moderate-income families. The bank originated only 6 percent of home purchase loans to moderate-income borrowers in this MSA while 16 percent of the families are moderate-income.

Refinancings

The distribution of refinancings to moderate-income borrowers was adequate. Performance varied within PMSAs comprising the CMSA. An excellent distribution in PMSA 5380 (Nassau-Suffolk, NY) was noted with 20 percent of refinance loan originations made to moderate-income borrowers while 19 percent of families are moderate-income.

PMSA 5640 (Newark, NJ) had a good distribution of refinancings to moderate-income borrowers. BNY originated 15 percent of refinancings to moderate-income borrowers while 18 percent of families are moderate-income. In PMSA 0875 (Bergen-Passaic, NJ), refinance lending had an adequate distribution to moderate-income borrowers. BNY originated 13 percent of refinance loan originations to moderate-income borrowers while 19 percent of families are moderate-income.

The distribution of refinancings in PMSA 5600 (New York, NY) was adequate when reviewed in the context of the low affordability of housing and the performance of peer banks in the PMSA. The bank originated 6 percent of refinancings to moderate-income borrowers while 15 percent of families are moderate-income. A review of peer performance revealed that all similarly situated banks had a relatively poor or very poor distribution of refinancings to moderate-income borrowers in PMSA 5600 (New York, NY).

The median housing value in PMSA 5600 (New York, NY) is 5.8 times greater than the median family income and the most unaffordable in the bank's assessment areas, a situation that would reduce lending opportunities. After considering performance context and peer performance, refinancings to moderate-income individuals was found to be very poor with no refinancings to moderate-income borrowers in Essex County and PMSA 1160 (Bridgeport, CT). In addition, lending performance was poor and needs improvement in PMSA 2281 (Dutchess

County, NY) and PMSA 3640 (Jersey City, NJ).

HMDA-related Lending to Low-income Borrowers

The distribution of HMDA-related lending to low-income borrowers in the CMSA was adequate when reviewed against performance context and peer performance. Within the PMSAs comprising the CMSA, performance was generally consistent and reflects adequate distribution.

Home Purchase Loans

The distribution of home purchase loans to low-income borrowers was adequate. In PMSA 5600 (New York, NY), BNY originated 3 percent of home purchase loans to low-income borrowers while 26 percent of families are low-income. In PMSA 5380 (Nassau-Suffolk, NY), the bank originated 8 percent of home purchase loans to low-income borrowers while 16 percent of families are low-income. In PMSA 5640 (Newark, NJ), the bank originated 8 percent of home purchase loans to low-income borrowers while 20 percent of families are low-income. In PMSA 0875 (Bergen-Passaic, NJ), the bank originated 9 percent of home purchase loans to low-income borrowers while 19 percent of families are low-income.

This distribution was consistently low but reflects adequate penetration when reviewed against performance context and peer performance. For example, the affordability of housing in the CMSA is very low when considering the housing values in relation to the incomes of low-income borrowers. The CMSA's median housing value is 4.2 times greater than the median family income. In PMSA 5600 (New York, NY), PMSA 5380 (Nassau-Suffolk, NY), PMSA 5640 (Newark, NJ) and PMSA 0875 (Bergen-Passaic, NJ), the median housing value ranges from 3.3 times to 5.8 times greater than the median family income. In addition, 402 thousand families, or 9.4 percent of all families in the CMSA, live below the poverty line, further reducing the ability to penetrate the low-income borrower market.

Peer performance also disclosed difficulties in penetrating the low-income borrower market in the CMSA. All peer banks had a relatively poor or very poor distribution of home purchase lending to low-income borrowers in the four primary MSAs.

Considering performance context and peer group performance, home purchase lending was found to be weak and needs improvement in Essex County. BNY originated no home purchase loans to low-income borrowers in Essex County where 55 thousand low-income families reside.

Refinancings

The overall refinance lending to low-income borrowers represents an adequate distribution. In PMSA 5600 (New York, NY), the bank originated 1 percent of refinancings to low-income borrowers while 26 percent of families are low-income. In PMSA 5380 (Nassau-Suffolk, NY), the bank originated 8 percent of refinancings to low-income borrowers while 16 percent of families are low-income. In PMSA 5640 (Newark, NJ), the bank originated 2 percent of refinancings to low-income borrowers while 20 percent of families are low-income. In PMSA 0875 (Bergen-Passaic, NJ), the bank originated 5 percent of refinancings to low-income borrowers while 19 percent of families are low-income.

This distribution was consistently low but reflects adequate penetration when reviewed against performance context issues and peer bank performance. Specifically, refinancings are difficult to make to low-income borrowers because of borrowers' lack of liquidity (closing costs) necessary to complete refinance transactions, and a lack of financial expertise regarding the advantages of refinance transactions during periods of falling interest rates.

Peer performance also disclosed difficulties in penetrating the low-income borrower market in the CMSA. All peer banks had a relatively poor or very poor distribution of refinancings to low-income borrowers.

After considering performance context and peer performance, refinance lending was found to be weak and needs improvement in Morris County. The bank originated no refinancings in Morris County where over 10 thousand low-income families reside.

Lending to Businesses of Different Sizes

The distribution of small business loans reflects an adequate distribution of loans among businesses of different sizes. Approximately 18 percent of the small business loans in the CMSA were made to businesses with reportable GAR of \$1 million or less. An additional 69 percent of all small business loans made during the examination period were to small businesses where GAR was not a factor in the credit decision. A review of a sample of these loans indicated that approximately 61 percent of the total small business loans originated without GAR used as a factor in the credit decision were made to small businesses with GAR of \$1 million or less.

When these loans are added to those with reportable GAR of \$1 million or less, 60 percent of all small business loans, or 1,923 small business loans, were to businesses with GAR of \$1 million or less. This compares favorably with the fact that in the CMSA businesses with GAR of \$1 million or less represent 83 percent of all businesses.

Lending performance to businesses with GAR of \$1 million or less was generally consistent among PMSAs comprising the CMSA. In PMSA 5600 (New York, NY), the bank originated 60 percent of small business loans to businesses with GAR of \$1 million or less while 83 percent of all businesses have GAR of \$1 million or less. In PMSA 5380 (Nassau-Suffolk, NY), the bank originated 61 percent of small business loans to businesses with GAR of \$1 million or less while 83 percent of all businesses have GAR of \$1 million or less.

In PMSA 5640 (Newark, NJ), the bank originated 60 percent of small business loans to businesses with GAR of \$1 million or less while 84 percent of all businesses have GAR of \$1 million or less. Activity in PMSA 0875 (Bergen-Passaic, NJ) reflected a good distribution. In PMSA 0875 (Bergen-Passaic, NJ), the bank originated 61 percent of small business loans to businesses with GAR of \$1 million or less while 81 percent of all businesses have GAR of \$1 million or less.

The size of small business loans averaged \$92 thousand. Eighty-one percent of small business loans were for \$100 thousand or less. The loan size for small business loans of \$100 thousand or less averaged \$41 thousand.

Innovative or Flexible Lending Practices

BNY, through its affiliate, BNYMC, made limited use of several residential loan practices to serve the credit needs of LMI individuals and geographies. In 1998, the bank originated 551 loans totaling \$58.6 million either to LMI borrowers or in LMI geographies using 18 flexible lending programs. BNY created 3 of the 18 programs. None of these programs were considered innovative, and only one, the BNY LMI Census Tract Program, was targeted specifically to LMI individuals or geographies.

Most of the flexible loan programs did not successfully generate significant loan volume. The loan programs with the most significant volume were the SONYMA Low Interest Rate Program and the BNY LMI Census Tract Program. For details, see Exhibit 3.

SONYMA Low Interest Rate Program

Eligible properties include one- to four-family homes, condominiums and townhouses, planned unit developments, mobile homes and co-ops located in New York State. Borrowers must be first-time home buyers or property must be located in a target area. Target areas include cities and towns containing significant numbers of LMI individuals and/or LMI census tracts, and are located in each MSA. The program is targeted to applicants who fall within household income restrictions that generally exceed 80 percent of the MSA median family income.

Financing of up to 97 percent is available for one- and two-family dwellings and condominiums, and 95 percent for three- and four-family dwellings, co-ops and mobile homes. This program offers housing/total debt ratios of 33 percent and 38 percent, respectively, and qualified first-time homebuyers can obtain mortgage financing at fixed interest rates that are below prevailing conventional rates.

BNY originated 171 loans representing \$16.8 million to LMI borrowers and/or in LMI census tracts in 1998.

BNY LMI Census Tract Program

Eligible property types include one- to four-family dwellings, condominiums, planned unit developments and co-ops. The program is offered throughout the bank's assessment area, although co-op loans are allowed only in New York and New Jersey. All properties to be purchased or refinanced must be located in LMI census tracts.

There are no income restrictions, and housing and total debt ratios are standard at 28 percent and 36 percent, respectively. The program also features special enhancements such as loan-to-values of 95 percent to refinance a primary residence, waived application, credit report, and appraisal fees until time of closing, and homeownership counseling.

BNY originated 131 loans representing \$13.3 million to LMI borrowers and/or in LMI census tracts in 1998.

Community Development Lending

BNY's community development lending performance was outstanding. During the examination period, community development loan commitments totaled \$409.1 million, of which \$286.9 million or 70.1 percent were commitments originated since the previous examination. Commitments at this examination represent an increase of 104.2 percent since the previous examination when community development lending totaled \$200.3 million.

Community development lending in support of revitalization and stabilization totaled \$222.2 million, or 54.3 percent of total activity. The Rudin Times Square and the Times Square Associates projects totaled \$176 million, or 79.2 percent of the total revitalization and stabilization activity. Affordable housing initiatives totaled \$83.4 million, or 20.4 percent of total activity, and provided for the construction or rehabilitation of 755 affordable housing units in the bank's overall assessment area. Community contacts made during this examination documented the need for affordable housing. Lending related to economic development totaled \$72.1 million, or 17.6 percent of total activity while community service lending totaled \$31.4 million or 7.7 percent of total activity. For details, see Exhibit 10.

Activity was directed primarily toward direct lending initiatives. Of the total 59 community development loan commitments extended during the examination period, 51 were direct loans totaling \$225.4 million or 78.6 percent

of activity. Many direct loans were complex in nature requiring coordination between the bank and government agencies. Indirect loans to financial intermediaries totaled \$61.5 million or 21.4 percent of activity.

As shown in Exhibit 10, 79 percent of community development lending activity was concentrated in PMSA 5600 (New York, NY), where commitments totaled \$323.2 million. Regulation BB does not require an institution to make community development loans in all its assessment areas.

Examples of community development loans originated during the evaluation period follow:

- BNY approved a \$2.7 million term loan in December 1998 to a real estate development limited liability company in the Bronx. The loan is for a commercial retail center with tenants including Waldbaums supermarket, CVS drugstore, a medical facility, Fleet Bank, a theater, and government agencies. The shopping center provides jobs and valuable services to LMI communities and acts as an anchor to stabilize the surrounding LMI areas.
- The bank approved a \$1.9 million construction loan in December 1997 to a real estate development limited liability company in Orange, New Jersey. The loan is used for the construction of a 43-unit low-income rental apartment, where 100 percent of the units will be rented to families with incomes at or below 50 percent of the area median income. In addition to providing affordable rental housing to LMI families, the developer also built a daycare facility in the apartment complex to provide supportive services for the residents.
- The bank approved a \$1.2 million construction loan in November 1997 to a nonprofit real estate developer in Plainfield, New Jersey. The loan is used for the construction of 32 single-family condominium townhouses, where 22 of the units will be moderate-income homeowner units. The project is made possible through a subsidy from the Community Housing Program and through the participation of the Urban Home Ownership Program.
- The bank approved a \$10 million revolving credit loan pool participation in May 1998 to a nonprofit residential mortgage lender in New York City. The mortgage lender seeks to counter deterioration in the city's LMI neighborhoods by financing the construction and rehabilitation of affordable housing. Part of the loan proceeds will be used to expand into New Jersey, specifically Jersey City, Newark, and Passaic.

INVESTMENT TEST

BNY's performance in the investment test is rated outstanding in the Multistate CMSA 5602. The bank had a significant level of qualified investments, exhibited a high level of responsiveness, and made good use of innovative and complex investments to address community development needs.

Dollar Amount of Qualified Investments

The bank's level of qualified investments was significant, totaling \$89.7 million at this examination. Total investments consisted of \$89.4 million in investments in various entities engaged in community development, and \$352 thousand in charitable grants and contributions to organizations supporting community development projects and programs. New qualified investments represent \$29.8 million or 33.2 percent of the total. Compared with the previous examination, total qualified investments increased 20.6 percent at this examination. For details, see Exhibit 11. BNY made 72.1 percent of its qualified investments in PMSA 5600 (New York, NY).

Responsiveness of Qualified Investments to Credit and Community Development Needs

The bank demonstrated a high level of responsiveness to the most pressing community development needs in this assessment area. Ninety-nine percent of investments, or \$88.6 million, were directed to agencies engaged in affordable housing development, a primary need in the bank's assessment area. Approximately 1 percent of investments, or \$1.1 million, were directed toward economic development, and 0.1 percent or \$50 thousand toward community service.

BNY invested \$55 million, or 61.3 percent of total qualified investments, in the New York Equity Fund. The fund acquires interests in various local limited partnerships and limited liability companies with nonprofit organizations serving as general partners. The fund invests in projects that develop and operate affordable rental housing projects located mainly in New York City.

Innovative and Complex Investments

BNY made good use of innovative and complex investments to support community development initiatives. Qualified investments vary from investments in small business loan pools to investments in LIHTC projects. The bank invested \$77.6 million, or 86.5 percent of its qualified investments, in LIHTC projects. Although these investments are not innovative in nature, they are complex because significant time and expertise are required for the accounting of these investments. In addition, they usually require a commitment of 10 to 15 years by the bank, making these investments long-term commitments.

SERVICE TEST

BNY's delivery systems in CMSA 5602 are inaccessible to portions of the bank's assessment area. The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. Hours and services do not vary in a way that inconveniences certain portions of its assessment area, particularly LMI geographies and LMI individuals. BNY provides an adequate level of community development services in its assessment area.

Retail Banking Services

Accessibility of Delivery Systems

Delivery systems are accessible to limited portions of CMSA 5602. The main system for delivering retail credit and non-credit services is through the branch network. In addition to the branch network, BNY offers ATMs, loan production offices, drive-up windows, PC banking and telephone banking.

Branch Network

As of December 31, 1998, BNY operated 350 full-service branches and 4 limited-service branches featuring drive-up windows in CMSA 5602. Fifty-two, or 15 percent of branches, are located in LMI census tracts. For details, see Exhibit 12.

The distribution of branches in LMI census tracts (15 percent) does not reflect the overall census tract distribution in CMSA 5602, which has 4,493 census tracts with 1,371 (31 percent) LMI. Of the total families in the CMSA, 26 percent reside in these LMI census tracts.

Accessibility to LMI families is particularly limited in Kings and Bronx Counties in New York and Union County in New Jersey. These counties have large concentrations of LMI tracts and LMI families without branch services. Forty-two percent of all LMI census tracts in the assessment area and 30 percent of all LMI families in the assessment area are in these three counties.

Specifically, 25 percent of all LMI census tracts and 17 percent of all LMI families in the assessment area are located in Kings County. Fifteen percent of all LMI census tracts and 10 percent of all LMI families in the assessment area are located in Bronx County. Two percent of all LMI census tracts and 3 percent of all LMI families in the assessment area are located in Union County.

Further analysis shows 44 percent of census tracts and 50 percent of all families in Kings County are LMI; 58 percent of census tracts and 57 percent of families in Bronx County are LMI; 34 percent of census tracts and 39 percent of families in Union County are LMI.

Accessibility to LMI families in counties with branches is also limited. Essex County, which also has a large concentration of LMI families, has one (17 percent) of six branches located in an LMI census tract. Sixty-two percent of census tracts and 47 percent of families in Essex County are LMI.

Although the bank has sought to make credit products available through telemarketing and mass mailings, loan penetration levels in areas with significant LMI populations (Kings and Bronx Counties in New York, and Union and Essex Counties in New Jersey) continue to be weak.

Availability and Effectiveness of Alternate Systems for Delivering Retail Services

BNY's alternate service-delivery systems do not significantly enhance the availability and effectiveness of retail credit and non-credit services in LMI geographies or to LMI individuals.

ATMs

BNY operates 256 ATMs in CMSA 5602; 238 are located at bank branches and 18 are off-site. Of the 18 off-site ATMs, 4 (or 22 percent) are located in LMI census tracts. Most of the off-site ATMs are located in hospitals and office buildings. One is located in a supermarket. Two are located in a hospital in the Bronx, and they are not readily accessible to the general public. No off-site ATMs are located in Kings, Union or Essex Counties.

BNY is a member of NYCE, CIRRUS, PULSE, and HONOR ATM networks. All ATMs provide various withdrawal, deposit, loan payment and transfer services.

Loan Production Offices

BNY operates ten loan production offices in CMSA 5602, none of which are located in Kings, Bronx, Union or Essex Counties. Two, or 20 percent, are located in moderate-income tracts in Greenwich, Connecticut, and Patchogue, New York.

Record of Opening and Closing of Branches

To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals.

Since the previous examination, four branches opened and eight branches closed. None of the four branches opened were located in a LMI tract. One of the eight branches closed was located in a moderate-income tract.

Reasonableness of Business Hours and Services, and the Degree to Which They Meet Assessment Area Needs

BNY's business hours and services do not vary in a way that inconveniences certain portions of its assessment area, particularly in LMI geographies and LMI individuals. All branches, except limited-service branches, offer the same products and services. Limited-service branches provide drive-up windows that offer teller services to customers.

Ninety-eight percent of full-service branches, including LMI branches, have extended business hours one day a week and/or Saturday hours.

BNY's six limited-service branches were downsized from full-service to drive-up branches. Three of these, or 50 percent, were in LMI tracts. Customers' accounts were transferred to nearby branches, and information concerning the transfers was conveyed in advance by customer notice.

Community Development Services

BNY provides an adequate level of services including seminars and technical assistance to various organizations that are responsive to the community development needs in the CMSA.

Seminars

During the examination period, BNY sponsored or participated in 45 mortgage lending seminars and training activities targeted to LMI individuals or activities in LMI census tracts. In addition, 12 seminars about reverse mortgages were held primarily for senior citizens.

Technical Assistance

Forty-eight community development services in the form of technical assistance were provided to 45 community and economic development corporations. Three BNY employees serve on the boards of directors of corporations that include Neighborhood Housing Services CityWide and the New York Mortgage Coalition. Forty-five employees serve in other technical assistance capacities including loan consulting at the Westchester Housing Fund, project evaluation for the New York City Investment Fund, financial counseling at the Sutton Area Community Group, and credit committee service at the New York Business Development Corporation.

STATE of NEW YORK

CRA RATING FOR THE STATE OF NEW YORK: "SATISFACTORY."

The lending test is rated: Low Satisfactory.

The investment test is rated: Low Satisfactory.

The service test is rated: Low Satisfactory.

The overall composite and component ratings for the State of New York are based solely on portions of Sullivan and Ulster Counties. The other geographic regions in the state where BNY operates are located in Multistate CMSA 5602 and were evaluated as part of Multistate CMSA 5602's overall rating.

Overall, the performance in New York State (Sullivan and Ulster Counties) was satisfactory based on the following summary conclusions:

- The number and dollar amount of home purchase, refinance and small business loan originations demonstrated an adequate responsiveness to retail credit needs in the assessment area.
- The overall geographic distribution of retail loans across census tracts of different incomes was adequate.
- The overall distribution of loans among individuals of different income levels was weak and needs to improve, while distribution to businesses of different sizes was adequate.
- BNY's service-delivery systems are reasonably accessible to essentially all portions of the assessment area, particularly LMI geographies and LMI individuals.

DESCRIPTION OF INSTITUTION'S OPERATIONS

This assessment area contains a very small part of BNY's operations and does not weigh significantly in BNY's overall CRA performance rating. As of December 31, 1998, 7 of 361 branches (2 percent) and less than 1 percent of BNY's total retail deposits were located in this assessment area. During the examination period, 2 percent of BNY's home purchase loans and refinancings were originated in this assessment area. In addition, BNY originated 1 percent of its small business loans in this assessment area. For a detailed description of the assessment area geographies located in Sullivan and Ulster Counties, see page BB6.

PERFORMANCE CONTEXT

BNY's assessment area in the Non-MSA (Sullivan and Ulster Counties, NY) includes parts of the counties of Sullivan and Ulster. The Non-MSA has a population of 214 thousand, which is 1.3 percent of the population of BNY's entire assessment area.

Income Characteristics

The 1990 median family income for the Non-MSA (Sullivan and Ulster Counties, NY) is \$38,664, lower than \$45,058 for CMSA 5602. The 1998 HUD-adjusted median family income for Sullivan is \$41,000 and Ulster is \$44,500. Based on the 1990 Census, of the 63 census tracts considered for the analysis, 1 or 1.6 percent are LMI. Ulster County contains the LMI tract. The 1990 Census also indicates that 51.3 percent of the families residing in the Non-MSA are upper-income, 21.3 percent are middle-income, 14.4 percent are moderate-income, and 13 percent are low-income.

Housing Characteristics

The Non-MSA contains 100 thousand housing units, of which 53.1 percent are owner-occupied. The Non-MSA housing units account for 1.5 percent of BNY's entire assessment area housing units and 1.7 percent of BNY's entire assessment area owner-occupied housing units. In LMI census tracts, 39.7 percent of the housing units are owner-occupied. The Non-MSA's median housing value of \$111 thousand is less than the CMSA 5602 median of \$188 thousand. Ulster County has the higher median housing value with \$115 thousand compared with \$96 thousand for Sullivan County. The Non-MSA median gross rent of \$517 is lower than the CMSA 5602 median of \$540. Ulster County has the higher median gross rent with \$532 compared with \$477 for Sullivan County.

Labor, Employment and Economic Characteristics

Like other counties in the lower Hudson Valley, Ulster County experienced sharp job losses as a result of IBM's restructuring in 1994. The county's labor force declined by 3,000, or almost 4 percent, over the two-year period ended April 1996. The region has been rebounding recently, however, and Ulster County continues to build on a rich heritage of technological innovation. In 1997, more than \$20 million in business investment created 1,200 new jobs in the county's manufacturing, service, finance and office industries. Of the county's labor force of 67 thousand, 20 thousand or 30 percent commute outside the county. The unemployment rate remained low at 3.1 percent as of November 1998.

Sullivan County is a more rural and recreational area featuring trout streams, golf courses, ski areas, a harness racetrack, and canoeing on the National Scenic Delaware River. Service and retail are the dominant industries in this county. The unemployment rate in Sullivan County was 6.7 percent in November 1998, the highest in the Hudson Valley region.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN New York State

LENDING TEST

Lending Activity

The number and dollar amount of home purchase, refinance, and small business loan originations demonstrated an adequate responsiveness to retail credit needs in the assessment area. In 1998, 82 home purchase loans and refinancings were originated in this assessment area. Small business loan originations totaled 34 during the same time period.

Geographic Distribution of Lending

The overall geographic distribution of retail loans across census tracts of different incomes was adequate. Sullivan and Ulster Counties contain very limited lending opportunities in LMI geographies. There is one moderate-income census tract consisting of only 664 owner-occupied housing units and 145 business establishments. There were no retail loan originations in this moderate-income census tract.

Borrower Characteristics

The overall distribution of loans among individuals of different income levels was weak and needs to improve while distribution to businesses of different sizes was adequate.

HMDA-related Lending to Moderate-income Families

The distribution of home purchase lending in Sullivan County was good. The bank originated 13 percent of home purchase loans to moderate-income borrowers while 17 percent of families are moderate-income. BNY's distribution of home purchase lending to moderate-income families in Ulster County is weak, however, and needs improvement. The bank originated 5 percent of home purchase loans to moderate-income borrowers while 14 percent of families are moderate-income.

The bank's distribution of refinancings to moderate-income families is very weak and needs improvement in Ulster and Sullivan Counties. The bank did not originate any refinancings to moderate-income borrowers in Ulster County, which has over 5,000 moderate-income families. In Sullivan County, the bank originated 3 percent of refinancings to moderate-income borrowers while 17 percent of families are moderate-income.

HMDA-related Lending to Low-income Families

The bank originated no home purchase loans or refinancings to low-income families in Ulster and Sullivan Counties. This level of performance was weak and needs to improve. In both counties, the median housing value is only 2.8 times greater than the median family income. Ulster and Sullivan Counties have over 6,000 low-income families.

Lending to Businesses of Different Sizes

Overall, the distribution of lending to business customers of different sizes in Ulster and Sullivan Counties was adequate. Approximately 21 percent of the small business loans in the assessment area were made to businesses with reportable GAR of \$1 million or less. An additional 74 percent of all small business loans made during the

examination period were to small business where GAR was not a factor in the credit decision. A review of a sample of these loans indicated that approximately 60 percent of the total small business loans originated without GAR used as a factor in the credit decision, were made to small businesses with GAR of \$1 million or less.

When these loans are added to those with reportable GAR of \$1 million or less, 65 percent of all small business loans, or 22 small business loans, were to businesses with GAR of \$1 million or less. In the assessment area, businesses with GAR of \$1 million or less represent 88 percent of all businesses.

The bank originated 61 percent of small business loans to businesses with GAR of \$1 million or less while 88 percent of all businesses have GAR of \$1 million or less in Ulster County. In Sullivan County, the distribution of lending to businesses with GAR of \$1 million or less was good. The bank originated 71 percent of small business loans to businesses with GAR of \$1 million or less while 89 percent of all businesses have GAR of \$1 million or less.

Community Development Lending

BNY originated one community development loan totaling \$100 thousand for community development services in the assessment area. Regulation BB does not require an institution to make community development loans in all its assessment areas.

INVESTMENT TEST

BNY made one qualified investment, a \$2,500 grant to an affordable housing organization in the assessment area. Regulation BB does not require an institution to make qualified investments in all its assessment areas.

SERVICE TEST

BNY's rating on the service test in the New York Non-MSA is low satisfactory based on the bank's record of providing banking services in this assessment area. Delivery systems are reasonably accessible to essentially all portions of the assessment area. No branches were opened or closed during this examination period. Hours and services do not vary in a way that inconveniences certain portions of its assessment area, particularly LMI geographies and LMI individuals. BNY provides an adequate level of community development services in the assessment area.

Retail Banking Services

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of BNY's assessment area. The main system for delivering retail credit and non-credit services is the branch network. In addition to the branch network, BNY offers ATMs, drive-up windows, PC banking and telephone banking.

Branch Network

As of December 31, 1998, BNY operated five full-service branches and two limited-service branches featuring drive-up windows in its Non-MSA. None were in the single moderate-income census tract located in the Non-MSA, which comprises 2 percent of census tracts. There are no low-income census tracts in the Non-MSA. Twenty-seven percent of families in the non-MSA are LMI. A substantial amount of LMI families in this assessment reside in non-LMI census tracts. For details, see Exhibit 12.

Availability and Effectiveness of Alternate Systems for Delivering Retail Services

BNY's alternate service-delivery system does not significantly enhance the availability and effectiveness of retail credit and non-credit services in the assessment area. BNY operates four ATMs in its non-MSA area; three are located at bank branches and one is off-site. None are located in the moderate-income census tract. BNY is a member of NYCE, CIRBUS, PULSE, and HONOR ATM networks. All ATMs provide various withdrawal, deposit, loan payment and transfer services.

Record of Opening and Closing Branches

No branch openings or closings took place in the Sullivan and Ulster non-MSA area during this examination period.

Reasonableness of Business Hours and Services, and the Degree to Which They Meet Assessment Area Needs

BNY's business hours and services do not vary in a way that inconveniences certain portions of its assessment area, particularly LMI geographies and LMI individuals. All branches, except limited-service branches, offer the same products and services. Limited service branches provide drive-up windows that offer teller services to customers.

BNY's two limited-service branches were downsized from full-service to drive-up branches. Customers' accounts were transferred to nearby branches, and information concerning the transfers was conveyed in advance by customer notice.

Community Development Services

BNY provides an adequate level of community development services including seminars and technical assistance to various community development organizations that are responsive to the needs in the bank's assessment areas.

Technical Assistance

Bank employees assisted six community and economic development corporations. One employee served on the board of directors of the Sullivan County Partnership for Economic Development. Five employees serve in other technical assistance capacities including financial counseling at the Ulster County Development Corporation and serving on the finance committee at the Ulster County Chamber of Commerce.

EXHIBITS

EXHIBIT 1

Insert newer table (Excel)

Summary of Key assessment area data

EXHIBIT 2

**Summary of Assessment Area
 Lending Activity**

January 1, 1998 – December 31, 1998

Loan Purpose	# of Loans	% of Total	\$ Amt. of Loans ('000s)	% of Total	% of Loans in Assess. Area
Home Purchase	2,564	34.8%	\$420,922	36.5%	82.8%
Refinancings	1,520	20.6%	\$328,273	28.5%	70.1%
Multifamily	51	0.7%	\$105,026	9.1%	85.4%
Small Business	3,231	43.9%	\$297,728	25.8%	98.9%
TOTALS	7,366	100%	\$1,151,949	100%	96.2%

EXHIBIT 3

Summary of Innovative or Flexible Lending Activity

January 1, 1998 – December 31, 1998

Loan Program/Product	Product Type	Originations	
		#	\$('000s)
SONYMA -- Low Interest Rate	Mortgage	171	16,775
SONYMA -- Achieving the Dream Mortgage	Mortgage	48	4,756
SONYMA -- Construction Incentive	Mortgage	11	1,372
SONYMA -- Low Down Payment	Mortgage	6	728
SONYMA Total		236	23,631
BNY LMI Census Tract	Mortgage	131	13,251
BNY Homeownership Initiative ("HOI") Community First – New Jersey	Mortgage	54	4,758
BNY HOI – New York	Mortgage	3	302
BNY Total		188	18,311
Fannie Mae Community Homebuyer ("CHB") 97 Single-Family	Mortgage	4	607
Fannie Mae HomeStyle New York Community Mortgage	Mortgage/Home Improvement	3	801
Fannie Mae CHB 2- to 4-Unit Pilot	Mortgage	1	180
Fannie Mae Flexible 97	Mortgage	1	162
Fannie Mae HomeStyle Community Mortgage	Mortgage/Home Improvement	1	136
Fannie Mae CHB 2-Unit	Mortgage	1	81
Fannie Mae HomeStyle Standard Mortgage	Mortgage/Home Improvement	1	74
Fannie Mae Total		12	2,041
Federal Housing Administration ("FHA") Loans	Mortgage	60	7,375
Veterans Administration ("VA") Loans	Mortgage	32	4,008
FHA 203(k)	Mortgage/Home Improvement	19	3,030
FHA / VA TOTAL		111	14,413
New York Mortgage Coalition Recent Immigrant Pilot	Mortgage	4	233
Other Loan Program Total		4	233
TOTALS		551	\$58,629

EXHIBIT 10

Summary of Community Development Lending
As of December 31, 1998

Region of Assessment Area	Community Development ('000s)	% of Total
PMSA 5600 (New York, NY)	\$323,215	79.00%
PMSA 5380 (Nassau-Suffolk, NY)	\$29,544	7.22%
PMSA 5640 (Newark, NJ)	\$9,558	2.34%
PMSA 2281 (Dutchess, NY)	\$8,510	2.08%
PMSA 5660 (Newburgh, NY-PA)	\$2,336	0.57%
PMSA 8040 (Stamford-Norwalk, CT)	\$1,750	0.43%
PMSA 5190 (Monmouth-Ocean, NJ)	\$321	0.08%
Non-MSA (Sullivan-Ulster, NY)	\$100	0.02%
New York Statewide	\$15,966	3.90%
New Jersey Statewide	\$17,843	4.36%
TOTALS	\$409,143	100.0%

Community Development Lending Purpose Summary

Purpose Type	Community Development ('000s)	% of Total
Revitalization and Stabilization	\$222,243	54.3%
Affordable Housing	\$83,392	20.4%
Economic Development	\$72,114	17.6%
Community Services	\$31,394	7.7%
TOTALS	\$409,143	100.0%

EXHIBIT 11

Summary of Qualified Investments

As of December 31, 1998

Region of Assessment Area	Qualified Investments ('000s)	% of Total
PMSA 5600 (New York, NY)	\$64,710	72.1%
PMSA 5380 (Nassau-Suffolk, NY)	\$8,868	9.9%
New York Statewide	\$10,000	11.1%
New Jersey Statewide	\$5,800	6.5%
Various Grants	\$352	0.4%
TOTALS	\$89,730	100.0%

Qualified Investments Purpose Summary

Purpose Type	Qualified Investments ('000s)	% of Total
Affordable Housing	\$88,589	98.7%
Economic Development	\$1,091	1.2%
Community Services	\$50	0.1%
TOTALS	\$89,730	100.0%

EXHIBIT 12

Number of Branches by County/MSA

As of December 31, 1998

County/MSA	# of Branches	# in LMI Tracts	% in LMI Tracts
Kings	0	0	0.0%
Bronx	0	0	0.0%
New York	19	4	21.1%
Queens	17	1	5.9%
Westchester	63	8	12.7%
Rockland	23	0	0.0%
Putnam	1	0	0.0%
PMSA 5600 Total	123	13	10.6%
Suffolk	48	9	18.8%
Nassau	47	6	12.8%
PMSA 5380 Total	95	15	15.8%
Orange	17	3	17.6%
PMSA 5660 Total	17	3	17.6%
Dutchess	13	4	30.8%
PMSA 2281 Total	13	4	30.8%
Essex	6	1	16.7%
Union	0	0	0.0%
Morris	16	1	6.3%
Sussex	8	1	12.5%
Warren	1	0	0.0%
PMSA 5640 Total	31	3	9.7%
Passaic	4	0	0.0%
Bergen	38	5	13.2%
PMSA 0875 Total	42	5	11.9%
Ocean	2	1	50.0%
Monmouth	7	1	14.3%
PMSA 5190 Total	9	2	22.2%
Middlesex	6	2	33.3%
PMSA 5015 Total	6	2	33.3%
Hudson	10	2	20.0%
PMSA 3640 Total	10	2	20.0%
Fairfield	7	3	42.9%
PMSA 8040 Total	7	3	42.9%
Fairfield	1	0	0.0%
PMSA 1160 Total	1	0	0.0%
CMSA 5602 TOTAL	354	52	14.7%
Ulster	4	0	0.0%
Sullivan	3	0	0.0%
NON-MSA TOTAL	7	0	0.0%
TOTALS	361	52	14.4%

CRA APPENDICES

CRA APPENDIX A

SCOPE OF EXAMINATION			
THE BANK OF NEW YORK			
TIME PERIOD REVIEWED		7/1/97 to 12/31/98	
FINANCIAL INSTITUTION			
The Bank of New York New York, New York			PRODUCTS REVIEWED <ul style="list-style-type: none"> • Home purchase • Refinancings • Small business • Multifamily
AFFILIATE(S)			
AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED	
BNY Mortgage Company	Bank subsidiary		<ul style="list-style-type: none"> • Home purchase • Refinancings
BNY Aurora Holding Corp.	Holding company subsidiary		Investments
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
CMSA 5602	On-site	14	N/A
Sullivan and Ulster Counties	On-site	2	N/A

Summary of State and Multistate MSA Ratings The Bank of New York	
State or Multistate Name	Overall State Rating
CMSA 5602 (New York-Northern New Jersey-Long Island, NY-NJ-CT)	Satisfactory
State of New York	Satisfactory

CRA APPENDIX C

GLOSSARY

AREA MEDIAN INCOME: (1) The median family income for the MSA, if a person or geography (block numbering area or census tract) is located in an MSA; or (2), if a person or geography (census tract or block numbering area) is located outside an MSA, the statewide non-metropolitan median family income.

ATM: Automated teller machine.

BNY: The Bank of New York.

CDC: A community development corporation, or community development company, which can be organized under banks, bank holding companies, or independent nonprofit neighborhood or government-sponsored organizations. CDCs offer various services and implement various projects focusing on community improvement, housing development and job development, particularly for LMI persons.

CMSA: A consolidated metropolitan statistical area as defined by the director of the Office of Management and Budget.

COMMUNITY DEVELOPMENT: (1) Affordable housing including multifamily rental housing for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of 13 CFR 121.802 (a)(2) or have gross annual revenues of \$1 million or less; or (4) activities that revitalize or stabilize low- or moderate-income geographies.

CONSUMER LOANS: Loans made to one or more individuals for household, family, or other personal expenditures. Consumer loans do not include HMDA loans.

CRA: Community Reinvestment Act.

DEMAND-ADJUSTED: Proportion of mortgage loans compared with owner-occupied housing units in an area, or proportion of small business loans compared with small business establishments in an area, as applicable.

FANNIE MAE: Formerly the Federal National Mortgage Association.

GAR: Gross annual revenues.

GEOGRAPHY: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census (1990).

HMDA: Home Mortgage Disclosure Act.

HMDA-RELATED LOANS: Loans reported by the bank under Regulation C, Home Mortgage Disclosure Act. They include home purchase mortgage loans, home improvement loans, and refinancings of such loans.

HUD: The United States Department of Housing and Urban Development.

LIHTC: Low-income housing tax credits.

LTV: Loan-to-value ratio, which is the relationship, expressed as a percent, between the principal amount of a loan and the appraised value of the asset securing the financing. In a residential mortgage loan, this is the percentage value of the property the lender is willing to finance with a mortgage (Dictionary of Banking Terms, 2nd Edition, by Thomas Fitch).

LMI: Low- and moderate-income, as in LMI census tracts.

LOW-INCOME: An individual income that is less than 50 percent of the area median income (i.e., of the median family income for the MSA, if the individual is located in an MSA, or, if the individual is located outside an MSA, of the statewide non-metropolitan median family income), or a BNA or census tract median family income that is less than 50 percent of the area median income. Accordingly, a low-income census tract is one in which the median family income is less than 50 percent of the area median income.

MIDDLE-INCOME: An individual income that is at least 80 percent and less than 120 percent of the area median income, or a BNA or census tract median family income that is at least 80 percent and less than 120 percent of the area median income.

MODERATE-INCOME: An individual income that is at least 50 percent and less than 80 percent of the area median income, or a BNA or census tract median family income that is at least 50 percent and less than 80 percent of the area median income.

MSA: A metropolitan statistical area as defined by the director of the Office of Management and Budget.

PEERS: Similarly situated banks.

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

PMSA: A primary metropolitan statistical area as defined by the director of the Office of Management and Budget.

QUALIFIED INVESTMENT: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

REFINANCINGS: Refinancings of HMDA-reportable home purchase and/or home improvement loans.

SMALL BUSINESS LOANS: Such loans are defined in Regulation BB, Section 228.12 (u) with reference to the definition of such loans in the instructions for preparation of the Consolidated Report of Condition and Income. These instructions define small business loans as loans with original amounts of \$1 million or less that have been reported in Schedule RC-C, Part 1, (1.e)(4) of the report.

SONYMA: State of New York Mortgage Association.

UPPER-INCOME: An individual income that is 120 percent or more of the median family income in an MSA or a census tract in which the median family income is 120 percent or more of the median family income in an MSA.

URBAN ENTERPRISE ZONES: An impoverished urban area is so designated in order to stimulate business and job development. As money-saving incentives for locating in an UEZ, a business would be offered tax breaks and/or flexible building codes and zoning regulations.