

PUBLIC DISCLOSURE

July 6, 1999

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The Chase Manhattan Bank

280 Park Avenue
New York, New York 10000

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.

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GENERAL INFORMATION

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

*This document is an evaluation of the CRA performance of **The Chase Manhattan Bank** 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 **July 6, 1999**. The agency evaluates performance in assessment area(s) as they are delineated by the institution rather than by 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 Chase Manhattan Bank is rated **“OUTSTANDING.”**

The bank’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 “outstanding” based on the following findings:

- The number of home purchase loans and refinancings of such loans, as well as small business loans originated and purchased by the bank and its affiliates during the examination period, showed an excellent responsiveness to credit needs in the bank’s assessment areas. Certain weaknesses, however, were noted in the New York State assessment area relative to mortgage-related lending and in the United States Virgin Islands relative to small business lending.
- The overall geographic distribution of loans reflected excellent loan penetration throughout the assessment areas, especially in low- and moderate-income (“LMI”) areas.
- Overall, there was a reasonable distribution of loans among borrowers of different income levels, given the low income levels and high housing costs in most of the bank’s assessment areas.
- The distribution of loans to businesses of different sizes was excellent. Ninety percent of small business loans were for amounts of \$100 thousand or less, indicating the bank is meeting the credit needs of smaller businesses. In addition, 54 percent of all small business loans originated during the examination period were to businesses with gross annual revenues (“GAR”) of \$1 million or less.
- The bank had an excellent level of community development lending totaling \$613 million.

Performance under the investment test is rated “outstanding” based on the following finding:

- The level of qualified investments was excellent, totaling \$377 million.

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

- The bank’s branch delivery system was reasonably accessible to essentially all portions of the bank’s assessment areas.
- Changes in branch locations did not adversely affect the accessibility of the bank’s branch delivery systems, and business hours and services were tailored to the convenience and needs of the assessment areas.
- The bank provided a high level of community development services through seminars, technical assistance, and special products and services.

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

PERFORMANCE LEVELS	<u>THE CHASE MANHATTAN BANK</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High Satisfactory			X
Low Satisfactory			
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 Chase Manhattan Bank (“Chase”), headquartered in New York, New York, is a full-service commercial bank providing a broad range of financial services to consumers and businesses. In terms of deposits, it is the largest bank in New York City. Chase is a wholly owned subsidiary of The Chase Manhattan Corporation (“the corporation”), the third largest bank holding company in the United States. Other subsidiaries of the corporation relevant to this examination are Chase Manhattan Mortgage Corporation, a nationwide mortgage origination and secondary marketing subsidiary, and Chase Manhattan Bank USA, N.A., a national bank specializing in credit card lending. As of March 31, 1999, the bank had total assets of \$291 billion, net loans and leases of \$132 billion, total deposits of \$178 billion and total retail branch deposits of \$44 billion. At the same time, the corporation’s consolidated assets totaled \$366 billion.

Chase operates retail branch facilities in New York, New Jersey, Connecticut and the United States Virgin Islands (“USVI”). As of March 31, 1999, Chase operated 486 retail branches in its assessment areas, approximately 67 percent of which were located in downstate New York, primarily in New York City. Immediately prior to this examination, management announced intentions to sell 29 branches in upstate New York and the entire banking operation, including seven branches, in the USVI. The New York sale was completed September 30, 1999, while the USVI transaction is pending regulatory approval.

The bank operates in a highly competitive environment. Chase’s primary competitors in its various markets include Citibank, Fleet Bank, Republic National Bank, HSBC, M&T Bank, Summit Bank, First Union and Peoples Bank. In addition, non-bank competitors including mortgage companies are major providers of credit services.

Chase’s previous CRA examination was conducted as of March 10, 1997, at which time the bank also received an overall rating of “outstanding.” There are no financial or legal factors that would impede Chase in fulfilling its responsibilities under the CRA.

DESCRIPTION OF ASSESSMENT AREAS

The bank has 13 assessment areas, containing a portion of 1 Consolidated Metropolitan Statistical Area (“CMSA”), 8 Metropolitan Statistical Areas (“MSAs”) and 4 non-MSA areas, as follows:

CMSA 5602 (NY, NJ, CT)

- All of PMSA 5600 (New York, NY), including Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, and Westchester Counties.
- All of PMSA 5380 (Nassau-Suffolk, NY), including Nassau and Suffolk Counties.

- Part of PMSA 5660 (Newburgh, NY-PA), including only the town of Monroe in Orange County.
- All of PMSA 0875 (Bergen-Passaic, NJ), including Bergen and Passaic Counties.
- All of PMSA 3640 (Jersey City, NJ), including Hudson County.
- Part of PMSA 5640 (Newark, NJ), including Essex County, Union County, and a portion of Morris County.
- All of PMSA 1160 (Bridgeport, CT), including a portion of Fairfield and New Haven Counties.
- All of PMSA 1930 (Danbury, CT), including portions of Fairfield and Litchfield Counties.
- All of PMSA 5480 (New Haven-Meriden, CT), including a portion of New Haven County.
- All of PMSA 8040 (Stamford-Norwalk, CT), including a portion of Fairfield County.
- All of PMSA 8880 (Waterbury, CT), including portions of New Haven and Litchfield Counties.

NEW YORK STATE

- Part of MSA 1280 (Buffalo-Niagara Falls, NY), including all of Erie County.
- Part of MSA 6840 (Rochester, NY), including Monroe County and portions of Wayne and Ontario Counties.
- Part of MSA 8160 (Syracuse, NY), including Onondaga County and portions of Oswego and Madison Counties.
- Part of MSA 0960 (Binghamton, NY), including Broome County and a portion of Tioga County.
- All of MSA 2335 (Elmira, NY), including Chemung County.
- Part of MSA 8680 (Utica-Rome, NY), including Oneida County.
- All of MSA 3610 (Jamestown, NY), including Chautauqua County.
- Part of MSA 0160 (Albany-Schenectady-Troy, NY), including portions of Albany, Rensselaer, Schenectady and Saratoga Counties.
- Part of non-MSA Steuben County.

UNITED STATES VIRGIN ISLANDS

- Non-MSA island of St. Thomas.
- Non-MSA island of St. Croix.
- Non-MSA island of St. John.

Chase's assessment areas are in compliance with the requirements of Section 228.41 of Regulation BB and do not arbitrarily exclude LMI geographies.

The bank's assessment areas have changed since the previous examination. Part of MSA 3280 (Hartford, CT), an assessment area in Connecticut outside of the CMSA, was removed from the bank's overall assessment area when the bank sold its two Hartford branches to Mechanics Savings Bank on July 24, 1998. Also, the Puerto Rico assessment area was removed on August 31, 1998, when the bank sold its loan portfolio and deposit liabilities to Banco Bilbao Vizcaya.

The following map illustrates the delineation of Chase's assessment areas:

INSERT MAP OF ASSESSMENT AREAS

PERFORMANCE CONTEXT

According to the 1990 Census, total population in the combined Chase assessment area is approximately 20 million, 81 percent of which resides in the CMSA assessment area. The CMSA assessment area contains 84 percent of the bank's branches and 94 percent of branch deposits, primarily in New York City. Income levels throughout the assessment area vary with generally lower income levels concentrated in the urban areas of the CMSA, upstate New York and the USVI. Except for the upstate New York assessment area, housing costs in the overall assessment area far exceed income levels, making homeownership very difficult for LMI borrowers. For details, see Exhibit 11.

After the economic downturn that occurred between 1989 and 1992, the economy of the CMSA is in varying stages of recovery, with urban areas lagging behind. Many areas, such as Long Island, New York; Stamford, Connecticut; and the Hudson Valley of New York State, are at or near full employment with unemployment rates of less than 3 percent, the result of effectively attracting service and retail jobs. In urban areas such as New York City, Bridgeport, Connecticut, and Newark and Jersey City, New Jersey, unemployment rates are about 7.5 percent. The economy of the upstate New York assessment area continues to be weak but is beginning to show signs of improvement. Unemployment levels are near the national level (4.2 percent), but this is generally because of a decline in population, and therefore the workforce, rather than an increase in the number of jobs. In order to maintain population levels in many portions of the New York assessment areas, communities are working hard to attract new businesses.

Primary needs in the assessment area include affordable owner-occupied and rental housing, affordable home mortgage loans including down payment assistance, and loans for the creation and expansion of small businesses in order to provide additional jobs.

SCOPE OF EXAMINATION

A full-scope analysis of the bank's performance was conducted in the CMSA assessment area using the *Interagency Procedures and Guidelines for Large Retail Institutions*. Performance in the CMSA heavily influenced the bank's overall rating. The CMSA assessment area represents 81 percent of the population, 82 percent of LMI families, 93 percent of branch deposits, and 84 percent of branches in Chase's combined assessment areas. At this examination the CMSA assessment area also represents 93 percent of home purchase and refinance loan activity and 91 percent of small business loans in the combined assessment areas.

Within the CMSA assessment area, performance in PMSA 5600 (New York, NY) was most significant in determining the overall rating of the CMSA. PMSA 5600 represents 52 percent of the population, 52 percent of LMI families, 75 percent of deposits, and 63 percent of branches in the CMSA assessment area. At this examination PMSA 5600 represents 53 percent of home purchase and refinance loan activity and 65 percent of small business loans in the CMSA assessment area.

For the New York State rating, a full-scope analysis was conducted for MSA 1280 (Buffalo-Niagara Falls, NY), MSA 6840 (Rochester, NY), MSA 8160 (Syracuse, NY) and MSA 0960 (Binghamton, NY). General conclusions regarding the bank's performance in the other New York State assessment areas not specifically noted are also included in this evaluation. Primary reliance was placed on performance in MSA 6840 (Rochester, NY) and MSA 8160 (Syracuse, NY) as they contain 62 percent of the bank's branches and 75 percent of deposits in the combined New York State assessment area.

A full-scope analysis was conducted for the USVI assessment area.

The evaluation of Chase's CRA performance covered the period January 1, 1997, through December 31, 1998. Loan products used in the evaluation include home purchase loans and refinancings of such loans (which were evaluated together), small business loans and other loans qualifying as community development loans. Community development loan originations and qualified investments covered the period April 1, 1997, through March 31, 1999. Calculations have been rounded to the nearest whole number.

Community contacts were made in all of the bank's assessment areas except the USVI and included local community-based organizations, state and quasi-government agencies, and municipal officials.

Home improvement and multifamily mortgage loans were excluded from the evaluation because the volume of assessment area lending was too small for meaningful analysis. Except for loans originated under a special program initiated by New York City, Chase does not have a home improvement loan product. Such credit needs are generally met through the bank's home equity product lines. Under Regulation C-Home Mortgage Disclosure Act ("HMDA"), the bank is not required to report HMDA information for such loans.

With the exception of six loans, the HMDA multifamily loans originated during the examination period were outside the bank's assessment area. The loans were originated by Chase Mortgage Backed Securities ("CMBS") Originations and Servicing (formally known as Chase Commercial Mortgage Bank), a subsidiary of The Chase Manhattan Bank. On a nationwide basis, CMBS originates mortgages for multifamily, retail, industrial, and office properties that are packaged and sold into securities.

The mortgage loans included in the evaluation were reported pursuant to HMDA, and they were either originated or purchased by Chase or its affiliates Chase Manhattan Mortgage Corporation or Chase Manhattan Bank USA, N.A. Affiliate activity represents originations and purchases only in the bank's assessment area not submitted to other regulators as part of other CRA examinations. Loans purchased by the bank or its affiliates represent about 24 percent of all HMDA-related loans used for analysis and include only purchases from third parties. All purchase activity between affiliates was removed from the analysis. Of the total home purchase loans and refinancings (52,096) used for analysis, Chase reported 28,137 or 54 percent, Chase Manhattan Mortgage Corporation reported 23,361 or 45 percent, and Chase Manhattan Bank USA, N.A. reported 598 or 1 percent. Reporting requirements under Regulation C are not

applicable with respect to dwellings in U.S. territories. The bank's management supplied data for mortgage loans originated by Chase in the USVI.

The small business loans included in the evaluation were reported pursuant to the CRA by either Chase or its affiliate Chase Manhattan Bank USA, N.A. The latter's activity represents only loans in the bank's assessment area that were not submitted to other regulators as part of other CRA examinations. A total of 68 percent of all small business loans used for analysis were originated by the bank. Loans purchased by the bank or its affiliates did not have an impact on small business lending activity. In the New York State assessment areas, small business lending performance greatly influenced the evaluation. Such lending represented 64 percent of lending activity in the assessment areas.

For evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 Census income data. The distribution of loans to borrowers of different income levels was determined based on 1997 and 1998 HUD estimated median family income data.

HMDA-related and small business loan performance was compared with the aggregate of all lenders in Chase's combined assessment area (except the USVI) who reported real estate loans under HMDA, and small business loans under the CRA. This information is reported annually. At the time of this examination, the most recent year for which HMDA information was available is 1998, and the most recent year for which small business information was available is 1997.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Chase's record of meeting the credit needs of its assessment areas through its lending performance is rated outstanding.

Lending Activity

Chase's lending activity reflects an excellent response to the credit needs of its assessment areas; however, weakness was noted in HMDA-related activity in the New York State assessment area and in small business lending activity in the USVI assessment area. The bank addressed credit needs by originating and purchasing a substantial volume of lending to include mortgage and small business loans within its assessment areas. Overall, Chase and its affiliates originated or purchased 155,203 HMDA-related and small business loans totaling \$16.3 billion. Of total loans, 56 percent were small business loans, and of all HMDA-related loans, 70 percent were home purchase loans. A significant majority of the loans were within Chase's assessment area. For details, see Exhibits 1 and 2.

During the examination period, the bank originated or purchased 123,122 loans totaling \$12.3 billion, consisting of 43,673 HMDA-related and 79,449 small business loans. In addition to the bank's lending activity, Chase affiliates originated or purchased 32,081 loans totaling \$4 billion, consisting of 23,959 HMDA-related and 8,122 small business loans.

Of the bank's loans, 72 percent of the number and 78 percent of the dollar amount were originated or purchased in the bank's combined assessment areas. Small business loans in the assessment area represented 75 percent of the total number of loans, while HMDA-related loans in the assessment area represented 66 percent of the total number of loans. The lower level of HMDA-related lending reflects a management practice, which was discontinued in October 1997, of originating manufactured housing loans in the name of the bank, even though it is a national product. Since manufactured housing loans are uncommon in the bank's assessment area, these loans, totaling approximately 8,300, inflated the bank's level of outside assessment area lending. When lending for the examination period is adjusted for the manufactured housing loans, the bank's overall level of assessment area lending increased to 77 percent, and the level of HMDA-related loans in the assessment area increased to 81 percent. Such adjusted levels more accurately reflect the bank's actual performance.

Since the previous examination of Chase (March 10, 1997), the bank exhibited a significant increase in HMDA-related and small business lending. Overall, between 1996, the first year of activity following the merger of Chemical Bank and The Chase Manhattan Bank, N.A., and 1997, all HMDA-related loans increased 25 percent. Meanwhile, such loans in LMI geographies increased 79 percent. And between 1997 and 1998, HMDA-related loans increased 62 percent overall and 63 percent in LMI geographies. Only the USVI assessment area showed a decline in

HMDA-related lending, which is the result of unusually high loan volume in 1996 when the bank offered a special hurricane recovery loan program for the purchase/refinance and rehabilitation of homes.

The growth in small business lending was more significant than the growth in HMDA-related lending. Between 1996 and 1997, small business loans increased 348 percent while small business loans in LMI geographies increased 278 percent. Between 1997 and 1998, overall small business loan growth was approximately 9 percent, and growth in LMI geographies was 16 percent.

Increased HMDA-related loan volumes are primarily attributed to low mortgage interest rates during the examination period. Bank management attributed small business loan volumes to the implementation of a credit-scoring system, aggressive sales and marketing campaigns, and an enhanced reporting system now including all Chase business lines.

Geographic Distribution of Lending

Overall, the analysis demonstrates excellent loan activity among the low-, moderate-, middle- and upper-income geographies in the bank's assessment areas. For details, see Exhibits 3 and 4.

Home Purchase Loans and Refinancings

The overall geographic distribution of home purchase loans and refinancings reflects excellent penetration in the bank's assessment areas. During the examination period, 13 percent of home purchase loans and refinancings were in LMI geographies, while 12 percent of owner-occupied housing units in the assessment area are located in LMI geographies. The level of lending in LMI geographies represents an increase since the previous examination when Chase had 9 percent of loans in such geographies. Specifically, 2 percent of home purchase loans and refinancings were in low-income geographies, which contain 2 percent of owner-occupied housing units in the assessment area, and 11 percent of such loans were in moderate-income geographies which contain 10 percent of owner-occupied housing units.

Small Business Loans

The overall geographic distribution of small business loans also reflects excellent penetration throughout the assessment areas. Overall, 21 percent of Chase's small business loans during the examination period were in LMI geographies, while 21 percent of business establishments are located in LMI geographies. Such performance is equivalent to the bank's performance at the previous examination. Of all small business loans, 7 percent were in low-income geographies. Approximately 6 percent of business establishments in the bank's assessment area are located in low-income geographies. Moderate-income geographies accounted for 14 percent of the loans, while such geographies contain 16 percent of business establishments.

Borrower Characteristics

The distribution of borrowers of home purchase loans and refinancings reflects a reasonable penetration among borrowers of different income levels, given the level of lending to moderate-income borrowers and the housing cost and income issues discussed in the respective Performance Context sections for the CMSA, New York State and the USVI. Small business loans showed an excellent distribution of loans to small businesses, with a significant majority of loans originated for \$100 thousand or less. For details, see Exhibits 5 and 6.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings across borrower income levels reflects reasonable distribution, given the level of lending to moderate-income borrowers and the large gap between high housing costs and low income levels in the assessment areas. For the examination period, 17 percent of loans were to LMI borrowers while LMI families constitute 38 percent of all families in the assessment areas. Lending to moderate-income borrowers was good with 14 percent of loans to such borrowers, while moderate-income families represent 17 percent of families in the assessment area. With respect to low-income borrowers, Chase had 3 percent of home purchase loans and refinancings to such borrowers, while low-income families make up 21 percent of all families in the assessment areas. The level of lending to low-income borrowers results from the significant gap between housing costs in the assessment areas and income levels, which generally precludes these borrowers from the housing market. Within the assessment area, median home values are six to eleven times higher than LMI income levels.

Activity of the aggregate of all HMDA reporters during the examination period supports the contention that LMI borrowers are generally precluded from the housing market; however, the performance of the aggregate exceeded that of Chase. Of all home purchase loans and refinancings originated by the aggregate, 25 percent were to LMI borrowers, and 6 percent were to low-income borrowers.

Lending to Small Businesses

The bank's record of lending to businesses of different sizes was strong. Ninety percent of the bank's small business loans were for amounts of \$100 thousand or less. The size of such loans averaged \$33,270, an amount that would meet the credit needs of smaller businesses. Of all small business loans, 54 percent of loans originated during the examination period were to businesses with GAR of \$1 million or less. Within the bank's assessment area, 75 percent of businesses have GAR of \$1 million or less. Within its assessment areas, Chase had a larger percentage of loans to businesses with GAR of \$1 million or less than the aggregate of all other small business loan reporters.

The bank's share of small business loans to businesses with GAR of \$1 million or less may be higher than reported by the bank. Eighteen percent of the bank's small business loans did not indicate the revenue size of the borrower. According to management, these loans generally included credit card and automobile financing, which are evaluated under a credit-scoring system that does not consider the revenue size of the business when making a credit decision.

Management noted that a significant majority of borrowers in these categories had GAR of \$1 million or less.

Community Development Lending

Chase's community development lending performance was outstanding. During the examination period, community development loan commitments totaled \$613 million, of which \$473 million or 77 percent were new loan commitments originated since the previous examination. Total commitments at this examination represent a 34 percent increase since the previous examination when community development lending totaled \$457 million.

Community development lending in support of affordable housing initiatives totaled approximately \$287 million or 47 percent of total activity, and this lending provided for the construction of at least 4,000 housing units in the bank's assessment areas. As previously noted, affordable housing is a critical need in the bank's assessment areas. Lending related to revitalization and stabilization efforts totaled \$199 million or 33 percent of total activity, and community service lending totaled \$89 million or 14 percent of total activity. Economic development initiatives totaled \$40 million or 6 percent of total activity.

Ninety-three percent of community development lending activity, or \$572 million, was in the CMSA assessment area. Since Regulation BB does not require an institution to make community development loans in all its assessment areas, a lack of community development lending in a particular assessment area does not detract from the rating of the bank as a whole or its performance in a particular assessment area.

Much of Chase's community development lending is complex and/or innovative. Construction lending, which represents most of Chase's affordable housing activity, generally requires extended interaction with multiple agencies in order to structure the financing package. Chase frequently acts as agent for loan participations with other banks and local Community Development Financial Institutions ("CDFIs"). The bank also participates with other funding sources such as Global Resources for Affordable Neighborhood Development ("GRAND"), a loan pool established by foreign and wholesale banks in New York City that do not extend direct construction loans and could not otherwise participate in such activity. In addition, the bank annually extends recoverable grants (no interest loans for up to 24 months) to qualifying community development organizations, and during the examination period, Chase initiated three unique lending programs directed to CDFIs.

For details on community development lending activity within the bank's various assessment areas, see Exhibit 7.

Innovative and Flexible Lending Practices

Chase offers various loan products using innovative and/or flexible lending practices to serve assessment area credit needs. This is achieved primarily by making available affordable, flexible products marketed by agencies or government entities in the assessment areas. The bank is innovative in combining such programs with its small business products, targeted to particular

market segments generally associated with community development. In addition, the bank collaborates with entities such as Fannie Mae to develop and test innovations in residential mortgage lending. Most recently, Chase participated in the testing of a new Fannie Mae program allowing lower down payments for cooperative apartments (“co-ops”) in New York City.

During the examination period, Chase originated approximately 3,600 flexible and/or innovative loans totaling approximately \$380 million that assisted LMI geographies or LMI borrowers, as defined by the CRA in the CMSA and New York assessment areas combined. (Regarding small business loans, only the Small Retailers, Supermarket and Houses of Worship loans were made in an LMI geography, to LMI borrowers or to businesses with GAR of \$1 million or less. All other small business loan programs represent total activity.) In addition, in the USVI assessment area, 90 flexible and/or innovative mortgage loans totaling \$8 million were originated. For details, see Exhibit 8.

Mortgage Products

In the CMSA and New York State assessment areas, Chase offers flexible products through agency and government mortgage loan programs that can assist LMI borrowers and/or borrowers purchasing homes in LMI geographies. Such programs include State of New York Mortgage Agency (“SONYMA”) loans, community lending products offered by Fannie Mae and Freddie Mac, and other special state and local government programs. The programs allow flexible down payment options ranging from 95 to 100 percent and expanded debt-to-income ratios. In addition, Chase makes flexible mortgages available under the Association of Community Organizations for Reform Now (“ACORN”) mortgage program, including a special program in Bridgeport, Connecticut. In addition, Chase makes Farmers Home Administration (“FHA”), Veterans Administration (“VA”) and Rural Development loans available in all its assessment areas. These loans also have flexible down payment options and expanded debt-to-income ratios.

Providing flexibility to mortgage applicants (in the U.S. only) initially declined by the bank and who are financing properties in LMI geographies, Chase considers such borrowers for a portfolio mortgage loan. These loans allow for 97 percent loan-to-value (“LTV”) ratios and income ratios of 33 and 40 percent, and they have less stringent credit history requirements.

In the USVI, Chase’s innovative and flexible programs include the “As Is” Mortgage, designed in response to damage from Hurricane Marilyn in 1995, the 95 percent LTV Mortgage available to all borrowers, and mortgages in conjunction with the USVI Housing Finance Authority’s affordable housing programs.

Small Business

Chase uses credit enhancements such as Small Business Administration (“SBA”) guarantees and New York City Small Business Capital Access guarantees to provide small business credit to borrowers who would not normally qualify for conventional loan products. Such enhancements are used for the Chase Access Network for Development Opportunities (“CAN-DO”) loan program, the Small Retailers Loan Program targeted to businesses in LMI geographies, and the Supermarket Loan Program directed to independently owned supermarkets in economically deprived inner-city neighborhoods. The bank also extends loans under credit enhancement programs offered by the Connecticut Development Authority’s Urban Lending Program (“URBANK”) and the New Jersey Economic Development Authority (“NJEDA”).

Chase makes SBA loan programs available in all assessment areas. SBA Express (an expedited loan program formerly known as “FASTRAK”) and Low Doc typically provide credit for businesses with GAR of \$1 million or less. The maximum loan amount is \$150 thousand and terms generally range up to ten years. Chase was instrumental in the development and testing of “FASTRAK” in 1997 and the subsequent enhancement to SBA Express. Chase also offers the traditional 7A (term loan), CapLine (line of credit), and 504 (commercial mortgages) programs which can be used for larger loan amounts. For fiscal years 1997 and 1998, Chase originated the largest number of SBA loans in the New York region.

In addition, Chase offers an innovative Houses of Worship Lending Program available to religious institutions with community development programs and located in LMI geographies. The program recognizes the difficulties in lending for special use properties and the limited assets available to religious organizations.

INVESTMENT TEST

The bank's performance on the investment test is rated outstanding. Chase had an excellent level of qualified community development investments that exhibited strong responsiveness to credit and community development needs through investments in facilities and organizations supporting affordable housing, economic development and community services. For details, see Exhibit 9.

Dollar Amount of Qualified Investments

The level of qualified investments was strong, totaling \$377 million at this examination. Total investments consisted of \$348 million in investments in various entities engaged in community development activity and \$29 million in charitable grants and contributions to organizations supporting community development projects and programs. Of total investments, \$365 million or 97 percent were in the CMSA assessment area. Investments are not required in all assessment areas; therefore, a lack of qualified investments in a specific assessment area does not detract from the evaluation of the bank as a whole or its performance in specific assessment areas.

Innovative and Complex Qualified Investments

Approximately \$292 million or 77 percent of total investments were Low Income Housing Tax Credits ("LIHTCs"), which are considered complex because of accounting requirements.

Responsiveness of Qualified Investments to Credit and Community Development Needs

Chase investments demonstrate an excellent response to the most pressing credit and community development needs in the bank's assessment areas. Ninety-one percent, or \$344 million, of investments were directed to agencies engaged in affordable housing, a primary credit need in the bank's assessment areas. Economic development activity, directed toward local CDFIs either in terms of deposits in credit unions or investments in loan funds, represented 5 percent of total activity. Such entities provide direct loans to very small businesses that generally would not qualify for bank financing because of factors such as small loan amounts and age of the business. Therefore, investments in CDFIs help to meet small business credit needs, which were identified as an important community need throughout the bank's assessment areas.

SERVICE TEST

Chase's rating on the service test is high satisfactory, based on the bank's record of providing retail banking and community development services in its assessment areas.

Retail Banking Services

Accessibility of Branch Delivery Systems

The bank's branch delivery system was reasonably accessible to essentially all portions of the assessment areas.

As of March 31, 1999, Chase operated 486 retail branches in its combined assessment areas. Of all branches, 22 percent (108 branches) were located in LMI geographies, while 31 percent of all geographies in the assessment areas are LMI and 28 percent of the population resides in the LMI geographies. Primary weaknesses in the branch delivery system were found in the New Jersey portion of the CMSA assessment area. Accessibility in all other assessment areas was excellent. For details, see Exhibit 10.

In addition to retail branches, Chase operated five middle-market offices and seven private banking offices not accessible to the general public. Most private banking offices were located in the CMSA assessment area, and most middle-market offices were located in the New York assessment area. Middle-market offices are directed toward meeting the needs of middle-market companies (reporting annual revenues of \$3 million or more) and government agencies. Also, as discussed below, Chase offers alternative delivery systems for its deposit and credit products.

Record of Opening and Closing Branches

Chase's record of opening and closing branches has not adversely affected the accessibility of its branch delivery systems. Since the previous examination, the bank closed or consolidated 83 branches and opened 5. Of the total closings/consolidations, 13 or 16 percent were in LMI geographies. Of the new offices, one was in an LMI geography. Virtually all branch activity occurred in the CMSA assessment area.

Branch closings and consolidations generally took place following the 1996 Chemical/Chase merger when branch locations were consolidated or closed to eliminate duplication of services. In all instances, the surviving location was upgraded to accommodate additional activity.

Branch closings and consolidations were conducted in accordance with Chase's written branch-closing policy, which conforms to the *Joint Interagency Policy Statement Regarding Branch Closings*. The policy requires management to consider factors including, but not limited to, alternatives and demand for service delivery, branch economic performance and the potential impact on the local community. According to regulatory requirements and the bank's policy, the bank provided timely advance notification to affected customers and regulatory authorities.

Availability and Effectiveness of Alternative Systems for Delivering Retail Banking Services

In addition to the branch network, the bank employed multiple alternative delivery systems that enhanced the distribution of services throughout the CMSA and New York State assessment areas, including:

- a network of 614 automated teller machine (“ATM”) locations. Of the total ATM locations, 463 or 75 percent are in branches. The remaining facilities are in office complexes, supermarkets, stores, hospitals, schools and malls. Ninety-four percent of LMI branch locations are equipped with ATMs. Of the 151 off-site ATM locations, 50 or 33 percent are in LMI geographies.
- free banking services by telephone (“Call Center,” “ServiceLine” and “Small Business ServiceLine”) and personal computer (“Online Banking”) 24 hours a day, 7 days a week.
- 1-800-CHASE-24 and Internet sites providing product and service information as well as accepting credit applications.
- the Corporate Employee Financial Services Program, which provides workplace banking services to employees of Chase’s corporate clients. Through this program, the bank provides retail banking services at the place of employment.
- Chase Street Bankers and a staff of representatives from the Residential Lending Department, who call on business and community organizations providing information and assistance regarding small business lending and affordable mortgage products.
- three Business Resource Centers in New York City located in or contiguous to LMI tracts. The centers operate as small business loan production offices and offer free technical assistance.
- direct mail, telemarketing and officer call programs to enhance delivery of small business credit products, particularly in areas where branch locations are limited.
- Small Business Direct, established by Chase in late 1998, which allows small business customers to handle all types of banking needs by telephone and through relationship managers assigned specifically to them.

In the USVI, alternative delivery systems include telephone banking (“Chase Telebanker”), Loan-By-Phone and ATM facilities.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Chase’s business hours and services did not vary in a way that inconvenienced certain portions of its assessment areas, particularly LMI geographies and individuals. Regular banking hours were generally 8 a.m. to 4 p.m. Monday through Friday, and extended hours were available at approximately 76 percent of the bank’s branches. Extended hours include Thursday and/or Friday evenings, Saturdays and, at supermarket locations, Sundays. Approximately 73 percent of branches located in LMI geographies had extended hours.

The bank offers a full range of retail and commercial deposit and credit services at all retail branches.

Community Development Services

With the exception of the Business Resource Centers and Individual Deposit Accounts, the following activities were conducted throughout the bank’s assessment areas, except the USVI. In the USVI, community development services were limited to seminars and technical assistance.

Seminars

During the examination period, Chase conducted or participated in over 425 seminars and workshops throughout its assessment areas. Approximately 80 percent of the presentations concerned affordable housing topics, with about 35 percent of those presentations conducted at Chase branches located in LMI geographies. Other seminars were on topics such as small business formation, management and financing; landlord responsibilities for new multifamily homeowners; and basic financial education. In addition, Chase continued to sponsor the Credit Institute for Economic Development (“CIED”), a weeklong credit training program designed to help build the credit skills of representatives from community development organizations, including credit unions, municipal loan pools, and community development corporations. During the examination period, more than 100 individuals received training at sessions held in Newark, New Jersey; Bridgeport, Connecticut; and Syracuse, New York.

Technical Assistance

More than 100 Chase employees provided technical assistance as directors and advisors at over 150 organizations serving affordable housing, community and economic development needs. For example, the Chase volunteers provided technical assistance to help form 11 CDFIs in the bank’s assessment areas. Also, Chase operates three Business Resource Centers in New York City providing business owners with free information on preparing a business plan, strategic planning, sources of capital and financing alternatives. The Resource Center, as well as the bank’s branches and calling officers, distribute a series of booklets designed and published by Chase to provide management information for small business entrepreneurs.

In addition, the Chase Community Development Resource Center provides technical assistance to nonprofit organizations. The unit is dedicated to helping such entities improve their management effectiveness and efficiency by providing consulting services as well as workshops and seminars, which totaled 19 during the examination period. The center also acts as a point of contact for loans, grants and in-kind donations, and it operates a volunteer center matching Chase employees with organizations in need of assistance. Although the center is located in New York City, it provides service to all portions of the assessment areas.

Special Products and Services

Chase provides a wide range of special community development banking products including “Lifeline” checking and savings accounts for customers who maintain lower balances and make a limited number of transactions. Also, Chase is partners with a community organization in the Stamford, Connecticut, area to make available Individual Development Accounts (“IDAs”). IDAs are savings accounts used to build assets for first-time home purchase expenses, education expenses and small business capitalization. In addition, Chase’s Ready Pay program gives non-banked individuals the opportunity to access their pay via ATMs, point of sale (“POS”) terminals and point of banking (“POB”) locations.

Chase provides payroll check cashing for non-customers who are employees of Chase’s corporate customers. This service (formally Checks to Cash Club) is available without charge to the employees at ten locations in the New York portion of the CMSA assessment area. Specific teller areas within the branches have been designated for check cashing on payroll days.

Also, the real estate unit of the Chase Community Development Corporation provides services to nonprofit organizations seeking assistance with administration of affordable housing construction loans. And the Residential Lending Department, which focuses its efforts on LMI home buyers, conducts an early intervention program providing counseling services to potentially delinquent and delinquent borrowers.

In-kind Contributions

During the examination period, Chase donated a significant amount of furniture and computers to community development organizations such as New York ACORN Housing Company, South Bronx Overall Economic Development Corporation, Neighborhood Housing Services in New York and several organizations in upstate New York.

COMPLIANCE WITH FAIR LENDING LAWS

No credit practices were identified that violated the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity Act (Regulation B), the Fair Housing Act, the Home Mortgage Disclosure Act (Regulation C), and all relevant agency regulations pertaining to nondiscriminatory treatment of credit applicants.

ASSESSMENT AREA ANALYSES

CMSA 5602 (NEW YORK, NEW JERSEY, CONNECTICUT)

CRA RATING FOR CMSA 5602: “OUTSTANDING.”

The lending test is rated: Outstanding.

The investment test is rated: Outstanding.

The service test is rated: High Satisfactory.

Chase’s outstanding rating on its performance in the CMSA is based on the following summary conclusions:

LENDING TEST

- The bank’s lending activity showed an excellent responsiveness to the credit needs in its assessment area.
- The overall geographic distribution of loans reflected excellent loan penetration throughout the assessment area.
- Overall, there was a reasonable distribution of loans among borrowers of different income levels and an excellent distribution of loans to businesses of different sizes.
- Community development lending, which totaled \$572 million, was excellent.

INVESTMENT TEST

- The bank had an excellent level of qualified investments, totaling \$365 million.

SERVICE TEST

- Branch delivery systems were reasonably accessible to essentially all portions of Chase’s assessment area.
- Alternative delivery systems were readily accessible throughout the bank’s assessment area.

- Changes in branch locations did not adversely affect the accessibility of the bank's delivery systems, and business hours and services did not vary in a way that inconvenienced certain portions of the assessment area.
- Chase is a leader in providing community development services.

DESCRIPTION OF CHASE'S OPERATIONS IN THE CMSA

Headquartered in New York, New York, Chase is a full-service commercial bank providing a broad range of financial services to consumers and businesses. In terms of deposits, it is the largest bank in New York City. Chase is a wholly owned subsidiary of The Chase Manhattan Corporation ("the corporation"), the third largest bank holding company in the U.S. Other subsidiaries of the corporation relevant to this examination are Chase Manhattan Mortgage Corporation, a nationwide mortgage origination and secondary marketing subsidiary, and Chase Manhattan Bank USA, N.A., a national bank specializing in credit card lending. As of March 31, 1999, the bank had total assets of \$291 billion, net loans and leases of \$132 billion, total deposits of \$178 billion and total retail branch deposits of \$44 billion. At the same time, the corporation's consolidated assets totaled \$366 billion.

As of March 31, 1999, Chase operated 406 full-service retail branches and 524 ATMs in the CMSA. The branches have approximately \$41 billion in deposits, or about 93 percent of the bank's total branch deposits. Of the total number of branches in the CMSA, 328 or 81 percent were located in the New York State portion of the CMSA, primarily in PMSA 5600 (New York, NY) with 257 branches. The branches in New York State account for approximately 91 percent of the bank's branch deposits in the CMSA. Chase operated 40 full-service retail branches in the Connecticut portion of the CMSA and 38 in the New Jersey portion.

Other banks operating in the highly competitive CMSA assessment area include Citibank, Fleet Bank, Republic National Bank, HSBC, M&T, Summit Bank, First Union, PNC and Peoples Bank. In addition, non-bank competitors including mortgage companies are major providers of credit services.

Chase's previous CRA examination was conducted as of March 10, 1997. At that time New York State received an outstanding rating based on the combined activity in the New York portion of the CMSA assessment area (downstate New York) and the current New York assessment areas (upstate New York). New Jersey and Connecticut were each rated satisfactory. This is the first time the CMSA assessment area is being rated. There are no financial or legal factors that would impede Chase in fulfilling its responsibilities under the CRA.

DESCRIPTION OF ASSESSMENT AREA

The CMSA assessment area consists of the following:

- All of PMSA 5600 (New York, NY), including Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, and Westchester Counties.
- All of PMSA 5380 (Nassau-Suffolk, NY), including Nassau and Suffolk Counties.
- Part of PMSA 5660 (Newburgh, NY-PA), including the town of Monroe in Orange County.
- All of PMSA 0875 (Bergen-Passaic, NJ), including Bergen and Passaic Counties.
- All of PMSA 3640 (Jersey City, NJ), including Hudson County.
- Part of PMSA 5640 (Newark, NJ), including Essex County, Union County, and a portion of Morris County.
- All of PMSA 1160 (Bridgeport, CT), including a portion of Fairfield and New Haven Counties.
- All of PMSA 1930 (Danbury, CT), including portions of Fairfield and Litchfield Counties.
- All of PMSA 5480 (New Haven-Meriden, CT), including a portion of New Haven County.
- All of PMSA 8040 (Stamford-Norwalk, CT), including a portion of Fairfield County.
- All of PMSA 8880 (Waterbury, CT), including portions of New Haven and Litchfield Counties.

Chase's assessment area is in compliance with the requirements of Section 228.41 of Regulation BB and does not arbitrarily exclude any LMI geographies.

PERFORMANCE CONTEXT

The demographic and economic information used to describe Chase's assessment areas and to evaluate the performance context within which the bank operates was obtained from publicly available sources. Sources include the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor, the U.S. Department of Housing & Urban Development ("HUD"), the New York State Department of Labor, the New Jersey State Department of Labor, the Connecticut State Department of Labor, the New York State Association of Realtors, the FRBNY Research & Market Analysis Group, and the Chase Manhattan Bank Economics Department. For details, see Exhibit 11.

Demographic Characteristics

CMSA 5602 consists of the areas of southern New York, western Connecticut, and northeastern New Jersey generally referred to as the New York metropolitan area. According to the 1990

Census, the population of the assessment area portion of the CMSA totals 16.3 million, 69 percent of which is located in New York. Of the CMSA population, 4.7 million, or 29 percent, reside in LMI geographies, with 71 percent residing in PMSA 5600 (New York, NY).

Income Characteristics

The 1990 median family income for the assessment area portion of CMSA 5602 is \$44,944. HUD-adjusted median family income is unavailable for the CMSA, but within the various PMSAs that constitute the assessment area, the 1997 HUD-adjusted median family income ranges from a high of \$86,600 in PMSA 8040 (Stamford-Norwalk, CT) to a low of \$44,700 in PMSA 3640 (Jersey City, NJ). In 1998, the levels range from \$89,300 to \$47,700 for the two PMSAs.

The assessment area contains 4,133 populated census tracts of which 1,128, or 28 percent, are LMI. Most of these LMI tracts (68 percent) are located in the New York portion of the CMSA. Of the 4.1 million families in the assessment area portion of the CMSA, 40 percent are upper-income, 21 percent are middle-income, 17 percent are moderate-income, and 22 percent are low-income. Significantly, 10 percent of the families have incomes below the poverty level.

Housing Characteristics

Housing costs in the assessment area are high, especially in relation to income levels. According to the 1990 Census, the median housing value for a one- to four-family unit in the assessment area portion of CMSA 5602 is \$197 thousand, significantly higher than the New York State median of \$130 thousand, the New Jersey median of \$161 thousand and even the Connecticut median of \$177 thousand. Higher values are found in the more suburban segments of the assessment area, as well as in Manhattan (New York County), while lesser values are found in the other counties of New York City and the urban areas of New Jersey and Connecticut.

Although real estate prices declined in the early 1990s, they have rebounded, particularly in 1997 and 1998, to the point where they reach or exceed the 1990 Census median value level. A comparison of such costs with income levels shows that owner-occupied housing is most often beyond the means of LMI families residing in the assessment area. Throughout the assessment area, community contacts identified affordable housing credit programs and funding for LMI housing as community needs. Because of high real estate and construction costs, especially in New York City, it is not possible to provide affordable housing without deep subsidies, which are not readily available in most segments of the assessment area.

Labor, Employment, and Economic Characteristics

The economy of the CMSA is in varying stages of recovery from the sharp downturn that occurred between 1989 and 1992, with urban areas generally lagging behind. The number of private sector jobs has grown steadily since 1993, particularly in the service, retail and finance-insurance-real estate ("FIRE") sectors. Manufacturing jobs, many of which were concentrated in urban areas, have continued to decline over the past five years. The wealth generated by Wall Street has resulted in strong tax revenues and higher home prices, attracted high-end retailers,

and led to marked improvement in the commercial real estate market. Many of the CMSA's suburban areas are at or near full employment with unemployment rates as low as 2.2 percent in the Stamford, Connecticut, labor market area ("LMA"), 2.5 percent in Long Island and 2.9 percent in the Hudson Valley region of New York, as of December 1998. Areas such as New York City, however, had unemployment levels of 7.6 percent, while Hudson County, New Jersey, and Bridgeport, Connecticut, had rates of 7.3 percent and 6 percent, respectively.

NEW YORK

The New York portion of the CMSA is the most significant. It contains the largest number of the bank's branches and deposits, as well as the largest number of residents and businesses. It provides the greatest opportunities for lending in LMI geographies and to LMI borrowers and small businesses.

Demographic Characteristics

The New York portion of the CMSA assessment area has a population of approximately 11.2 million. PMSA 5600 (New York, NY) contains the largest segment with a population of approximately 8.5 million. Of the PMSA population, 86 percent represents the population of New York City, Chase's largest market area. PMSA 5380 (Nassau-Suffolk, NY), the other major segment of the New York portion of the assessment area, has a total population of approximately 2.6 million, or 23 percent of the total New York population.

For analytical purposes, PMSA 5660 (Newburgh, NY-PA) is not considered significant. The assessment area portion of the PMSA has a population of only 27,000 contains one low-income census tract with a population of 8,000, has no moderate-income census tracts and contains just 453 owner-occupied housing units.

Income Characteristics

The 1990 median family income for PMSA 5600 (New York, NY) is \$37,515, significantly lower than the median for the CMSA. This is the result of lower income levels in the five counties of New York City (Bronx, Kings, New York, Queens, and Richmond) compared with the three suburban counties of the PMSA (Putnam, Rockland, and Westchester). The HUD-adjusted median family income for PMSA 5600 is \$47,300 for 1997 and \$49,800 for 1998. In PMSA 5380 (Nassau-Suffolk, NY), the 1990 median family income is \$56,726, and the 1997 and 1998 HUD-adjusted median family income is \$68,500 and \$70,200, respectively.

Of the census tracts considered for analysis, 28 percent in the New York portion of the CMSA are LMI. Most of the LMI tracts (90 percent) are located in PMSA 5600 (New York, NY), primarily in Kings County (38 percent) and Bronx County (23 percent). The Long Island PMSA contains only 10 percent of the LMI tracts. Most of the LMI tracts are located in Suffolk County.

The 1990 Census indicates that 41 percent of families in the New York portion of the CMSA are upper-income, 20 percent are middle-income, 16 percent are moderate-income, and 23 percent are low-income. Twelve percent are below the poverty level.

Housing Characteristics

The 4.4 million housing units in the New York portion of the CMSA assessment area represent 69 percent of the housing units in the overall CMSA assessment area. PMSA 5600 (New York, NY) has 79 percent of the New York housing units while PMSA 5380 (Nassau-Suffolk, NY) accounts for the remaining 21 percent. Within PMSA 5600, the level of owner-occupancy varies greatly between the suburban counties and New York City. While 66 percent of housing units in the suburbs are owner-occupied, only 32 percent are owner-occupied in New York City. In fact, in Bronx and New York Counties, the level of owner-occupancy is only 21 percent and 25 percent, respectively. In LMI census tracts, only 10 percent of housing units are owner-occupied. Approximately 74 percent of housing units in PMSA 5380 (Nassau-Suffolk, NY) are owner-occupied.

According to the 1990 Census, the median housing value for the New York portion of the CMSA assessment area is \$194,490 for a one- to four-family unit. In PMSA 5600 (New York, NY), the median housing value is \$207,142, ranging from a high of \$471,074 in New York County (Manhattan) to a low of \$172,978 in the Bronx. Price increases in 1997 and 1998 have caused current median selling prices to exceed the 1990 Census figure in many areas. According to the *Douglas Elliman Manhattan Market Report*, in Manhattan below 96th Street, the average price of a two-bedroom co-op or condominium in 1998 was \$605 thousand, while three-bedroom units exceeded \$1.5 million. In Richmond County, the median housing value was \$186 thousand in 1990 and the median sale price in 1998 was \$189 thousand. In Westchester County, the 1990 median housing value was \$282 thousand, and the 1998 median sale price reached \$364 thousand.

In the Long Island PMSA, the 1990 Census median housing value is \$186 thousand. According to the Multiple Listing Service of Long Island, the median sale price of a home in 1998 was \$231 thousand.

Labor, Employment, and Economic Characteristics

The overall economy of the New York portion of the CMSA is robust. Major advances in the number of service and retail jobs have fueled growth throughout the area. Despite the increases in job opportunities, however, the urban portion of PMSA 5600 (New York, NY) still has comparatively high unemployment, and each of the five boroughs of New York City is still designated as a Labor Surplus Area by the U.S. Secretary of Labor. Although the unemployment rate for New York City dropped from 8.1 percent in December 1997 to 7.6 percent in December 1998, it still remains high compared with 5.1 percent for New York State and 4.3 percent nationally. Bronx County had 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 with 6.5 percent.

Conversely, the Hudson Valley Region, which contains suburban Putnam, Rockland and Westchester Counties in PMSA 5600, has one of the lowest unemployment rates in New York State at 2.9 percent in December 1998, down from 3.6 percent the prior year. The area is home to the large manufacturing facilities of IBM, Fujitsu, Novartis, and Philips Electronics. Such industries typically pay high wages and offer generous benefits to their skilled workers. As a result, the suburban region boasts a higher median family income than the urban New York City counties. Although the region has a concentration of manufacturing jobs, employment is shifting dramatically toward service industries and high-tech occupations involved in the production of services.

The Long Island PMSA also has experienced positive private sector job growth. Growth in the region was diversified with most industry sectors, particularly service and retail, adding jobs to offset corporate restructuring and cutbacks by major employers in the PMSA. In the western portion of Long Island, high-tech designers and producers of wireless telecommunications hardware as well as computer and biotechnology firms have helped to invigorate the economy. The eastern part of Suffolk County continues to be known for its farming, fishing and resort areas. By December 1998, the unemployment rate in PMSA 5380 (Nassau-Suffolk, NY) was at a low of 2.5 percent.

NEW JERSEY

Demographic Characteristics

The New Jersey portion of the CMSA assessment area has a population of approximately 3.4 million. PMSA 5640 (Newark, NJ) represents the largest segment with an assessment area population of approximately 1.6 million, followed by PMSA 0875 (Bergen-Passaic, NJ) with a population of 1.3 million. The area is a mix of urban and suburban communities. Essex County, located in PMSA 5640, has historically been the industrial and financial center of New Jersey. It is currently ranked among the top ten counties nationally in population as well as in volume and diversity of industrial and business activities. Newark, the county seat of Essex County, is ranked as one of the five poorest cities in the nation, however. PMSA 5640 contains the most opportunities for LMI lending with 60 percent of the population living in LMI tracts and 54 percent of the owner-occupied housing units in LMI census tracts.

For analytical purposes, the Morris County portion of PMSA 5640 was not considered significant as it has only one moderate-income census tract containing 337 owner-occupied housing units and less than 300 small businesses. There are no low-income census tracts.

Income Characteristics

Of the three PMSAs in the New Jersey portion of the assessment area, PMSA 0875 (Bergen-Passaic, NJ) has the highest income level. The 1990 median family income is \$52,659, higher

than the median for the CMSA. The HUD-adjusted median family income is \$65,300 for 1997 and \$67,000 for 1998. The 1990 median family income for PMSA 5640 (Newark, NJ) is \$50,047 and the 1997 and 1998 HUD-adjusted median family income figures are \$62,800 and \$64,700, respectively. The 1990 median family income for PMSA 3640 is \$35,250, lower than the median for the CMSA. In 1997, the HUD-adjusted median family income was \$44,700. In 1998, it was \$47,700, the lowest in the CMSA assessment area.

Thirty-three percent of the census tracts used for analysis in the New Jersey portion of the CMSA are LMI. Most (62 percent) are located in PMSA 5640 (Newark, NJ), primarily in Essex County (50 percent). Twenty-six percent are located in PMSA 0875 (Bergen-Passaic, NJ), mostly in Passaic County (16 percent).

According to the 1990 Census, 38 percent of the families in the New Jersey portion of the CMSA are upper-income, 23 percent are middle-income, 18 percent are moderate-income, and 21 percent are low-income. Overall, 7 percent of families are below the poverty level, but in PMSA 3640 (Jersey City, NJ), 12 percent of families are below the poverty level.

Housing Characteristics

The 1.3 million housing units in the New Jersey portion of the CMSA assessment area represent 20 percent of the housing units in the overall CMSA assessment area. PMSA 5640 (Newark, NJ) has 56 percent of the New Jersey housing units. PMSA 0875 (Bergen-Passaic, NJ) and PMSA 3640 (Jersey City, NJ) account for 37 percent and 18 percent, respectively. In the Newark and Bergen-Passaic PMSAs, the level of owner-occupied housing units averages 58 percent while rental units total about 40 percent of housing units. In the Jersey City PMSA, however, the level of owner-occupancy is only 30 percent. In the LMI census tracts of the New Jersey portion of the assessment area, 67 percent of the housing units are rental units.

The 1990 median housing value for a one- to four-family unit in the New Jersey portion of the CMSA assessment area is \$202 thousand. In PMSA 5640 (Newark, NJ), the median housing value is \$187 thousand, ranging from a high of \$216 thousand in Morris County to a low of \$180 thousand in Union County. The median housing value in PMSA 0875 (Bergen-Passaic, NJ) is \$213 thousand while in PMSA 3640 (Jersey City, NJ), the median value is \$157 thousand. According to the New Jersey Association of Realtors, the 1998 median housing price in the Bergen-Passaic section of northern New Jersey was \$214 thousand. And, according to the National Association of Realtors, the median price of a single-family unit in the PMSA 5640 (Newark, NJ) area in 1998 was \$198 thousand, and \$193 thousand in the PMSA 3640 (Jersey City, NJ) area.

Labor, Employment, and Economic Characteristics

As in the other portions of the CMSA, the northern New Jersey economy is undergoing economic expansion marked by employment shifts from manufacturing to service. This shift has negatively impacted older urban areas such as Union and Passaic Counties and the Essex County

city of Newark, where the growth rate in jobs has lagged behind the state level. Over the past two years, every industry except government and manufacturing has posted job gains, with the most substantial gains in the service sector. In Hudson County, much of the job growth has been in the FIRE sector, but these jobs generally have been filled by commuters and have not positively impacted the local workforce. This has resulted in Hudson County having an unemployment rate of 7.3 percent in December 1998, the highest in the New Jersey portion of the CMSA assessment area. In PMSA 0875, the unemployment rate for Bergen County is 3.6 percent while the rate in Passaic County is 5.8 percent. In PMSA 5640, the unemployment rate in Essex County was 5.6 percent and 4.8 percent in Union County. These rates compare with a statewide unemployment rate of 4.6 percent and a national rate of 4.3 percent at the end of 1998.

CONNECTICUT

Demographic Characteristics

The Connecticut portion of the CMSA assessment area has a population of approximately 1.7 million. PMSA 5480 (New Haven-Meriden, CT) represents the largest segment with a population of approximately 513 thousand, or 30 percent. PMSA 1160 (Bridgeport, CT) represents over one quarter of the assessment area with a population of 444 thousand, or 26 percent. With PMSA 8040 (Stamford-Norwalk, CT), these three PMSAs were most significant in evaluating the bank's performance since they contain the largest levels of population and small businesses, especially in LMI areas.

For purposes of analysis, Litchfield County was not considered significant to the bank's overall performance. In PMSA 8880 (Waterbury, CT), Litchfield County contains no LMI census tracts and in PMSA 1930 (Danbury, CT), Litchfield County has only 882 owner-occupied housing units.

Income Characteristics

Based on the 1990 Census, the median family income for the Connecticut portion of the CMSA is \$51,542. PMSA 8040 (Stamford-Norwalk, CT) has the highest income level of the five PMSAs in the Connecticut portion of the assessment area. The HUD-adjusted median family income was \$86,600 in 1997 and \$89,300 in 1998. PMSA 8880 (Waterbury, CT) has the lowest income level of the Connecticut PMSAs with a HUD-adjusted median family income for 1997

and 1998 of \$54,700. Although the assessment area portion of Connecticut contains some of the wealthiest communities in the nation (such as Darien, New Canaan and Greenwich), it also contains Bridgeport and New Haven, two of the most economically depressed cities in the nation.

Twenty-eight percent of the census tracts in the Connecticut portion of the CMSA are LMI. Most of the LMI tracts (32 percent) are located in PMSA 5480 (New Haven-Meriden, CT) and PMSA 1160 (Bridgeport, CT) (30 percent), primarily within the cities of New Haven and Bridgeport.

According to the 1990 Census, 38 percent of the families in the Connecticut portion of the CMSA are upper-income, 24 percent are middle-income, 19 percent are moderate-income, and 19 percent are low-income. Five percent are below the poverty level.

Housing Characteristics

There are 679 thousand housing units in the Connecticut portion of the CMSA assessment area, representing 11 percent of the housing units in the overall CMSA assessment area. Combined, PMSA 5480 (New Haven-Meriden, CT) with 32 percent and PMSA 1160 (Bridgeport, CT) with 26 percent account for nearly 60 percent of the Connecticut housing units. In PMSA 5480, 58 percent of the housing units are owner-occupied and 35 percent are rental units. In PMSA 1160, the level of owner-occupancy is higher at 64 percent, with a rental rate of 30 percent. PMSA 8040 (Stamford-Norwalk, CT), PMSA 8880 (Waterbury, CT), and PMSA 1930 (Danbury, CT) all account for approximately 40 percent of the housing units in the Connecticut portion of the CMSA assessment area, and the owner-occupancy rate is 60 percent or greater. Within the LMI census tracts, 61 percent of the housing units are rental units. In the cities of New Haven and Bridgeport owner-occupancy does not exceed 35 percent.

According to the 1990 Census, the median housing value for a one- to four-family unit in the Connecticut portion of the CMSA assessment area is \$196 thousand. The two largest PMSAs, 5480 (New Haven-Meriden, CT) and 1160 (Bridgeport, CT), in 1990 had median housing values of \$171 thousand and \$190 thousand, respectively. With a median of \$359 thousand, PMSA 8040 (Stamford-Norwalk, CT) has the highest median of the five PMSAs, while PMSA 8880 has the lowest with a median housing value of \$149 thousand. According to Commercial Record statistics, Fairfield County, portions of which are located in PMSA 1160, PMSA 1930, and PMSA 8040, has a 1998 median housing price of \$212 thousand. In more costly communities such as New Canaan, the median housing price is about \$560 thousand, while in Bridgeport, where affordable housing is generally found, the median price reaches \$84 thousand. The Stamford-Norwalk area is considered among the five least affordable housing markets in the country.

Labor, Employment and Economic Characteristics

This southwestern portion of Connecticut is generally recovering well from the economic downturn of the late 1980s and early 1990s, regaining a significant share of lost jobs. The biggest job gains were in services and FIRE, while the number of manufacturing jobs continued to decline. At the end of 1998, the unemployment rate was a low 2.2 percent in the Stamford LMA and 2.3 percent in the Danbury LMA. In the New Haven LMA, however, the unemployment rate was 3.4 percent and in the Bridgeport LMA, 4 percent. These higher rates are primarily the result of jobless rates in the respective cities, with unemployment at 4.1 percent in New Haven and 6 percent in Bridgeport. The historically large number of

manufacturing jobs in these cities has declined steadily, and new service- and retail-oriented businesses have been difficult to attract.

SCOPE OF EXAMINATION

A full-scope analysis of the bank's performance was conducted in the CMSA assessment area using the *Interagency Procedures and Guidelines for Large Retail Institutions*. Within the CMSA assessment area, performance in PMSA 5600 (New York, NY) primarily influenced the rating. PMSA 5600 represents 52 percent of the population, 52 percent of the population living in LMI geographies, 75 percent of branch deposits, and 63 percent of branches in the CMSA assessment area. At this examination PMSA 5600 represents 53 percent of home purchase and refinance loan activity and 65 percent of small business loans in the CMSA assessment area.

The evaluation of Chase's CRA performance extends from January 1, 1997, through December 31, 1998. Loan products evaluated include home purchase loans and refinancings of such loans (which were evaluated together), small business loans and other loans that qualified as community development loans. Community development loan originations covered the period April 1, 1997, through March 31, 1999. In addition, bank investments, grants and services qualifying as community development also were included in the evaluation. Home improvement and multifamily loans were not included in the evaluation because volumes were too small for meaningful analysis.

The mortgage loans evaluated were as reported pursuant to Regulation C-HMDA and either originated or purchased by Chase or its affiliates Chase Manhattan Mortgage Corporation or Chase Manhattan Bank USA, N.A. Affiliate activity represents originations and purchases only in the bank's assessment area not submitted to other regulators as part of other CRA examinations. Loans purchased by the bank or its affiliates represent about 24 percent all HMDA-related loans used for analysis and include only purchases from third parties. All purchase activity between affiliates was removed from the analysis.

The small business loans evaluated were reported pursuant to the CRA by either Chase or its affiliate Chase Manhattan Bank USA, N.A. The latter's activity represents only loans in the bank's assessment area that were not submitted to other regulators as part of other CRA examinations.

For evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 Census income data. Distribution of loans to borrowers of different income levels was determined based on 1997 and 1998 HUD-adjusted median family income data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN CMSA 5602

LENDING TEST

Chase's performance on the lending test in the CMSA assessment area is rated outstanding.

Lending Activity

Chase's lending activity reflects an excellent response to assessment area credit needs. Credit needs were addressed by originating and purchasing a substantial volume of lending to include home purchase, refinance, and small business loans. During the examination period, 110,574 loans totaling \$12.7 billion were originated, of which approximately 62,000 loans or 56 percent were small business loans.

Since the previous examination (March 10, 1997), Chase exhibited a significant increase in HMDA-related and small business lending overall as well as in LMI geographies. Overall, between 1996, the first year of activity for the merged Chemical/Chase, and 1997, all HMDA-related loans increased 26 percent, while such loans in LMI geographies increased 91 percent. And between 1997 and 1998, HMDA-related loans increased 63 percent overall and 68 percent in LMI geographies. The growth in small business lending was even more significant. Between 1996 and 1997 small business loans increased 345 percent while small business loans in LMI geographies increased 275 percent. Between 1997 and 1998, overall small business loan growth was approximately 9 percent, while growth in LMI geographies was 16 percent.

The increase in Chase's lending activity addressed weaknesses in New Jersey and Connecticut that were noted at the previous examination. The highest levels of growth in HMDA-related lending both overall and in LMI geographies occurred in the New Jersey portion of the CMSA. Small business lending increases were greatest in Connecticut.

Increased HMDA-related loan volumes are primarily attributed to low mortgage interest rates during the examination period. Small business loan volumes are the result of the implementation of a credit-scoring system, aggressive sales and marketing campaigns, and an enhanced reporting system that now includes all Chase business lines.

Most lending activity occurred in the New York portion of the CMSA assessment area, primarily in PMSA 5600 (New York, NY). Seventy-three percent of HMDA-related loans and 85 percent of small business loans, representing 35,758 and 52,441 loans, respectively, were originated or purchased in the New York part of the assessment area. Within the New York portion of the CMSA assessment area, PMSA 5600 accounted for 72 percent of HMDA-related lending activity and 77 percent of small business loans. Chase and its affiliates are the primary providers of home purchase, refinance and small business loans in PMSA 5600.

Geographic Distribution of Lending

Overall, the analysis demonstrates excellent loan activity among the low-, moderate-, middle-, and upper-income geographies in the CMSA assessment area. For the overall CMSA assessment

area, during the periods for which aggregate information was available, Chase's performance either exceeded or equaled that of the aggregate of all other reporters. For details, see Exhibits 3 and 4.

Home Purchase Loans and Refinancings

Overall, the geographic distribution of home purchase loans and refinancings reflects excellent penetration in the CMSA assessment area. During the examination period, 13 percent of loans were in LMI geographies, where 12 percent of owner-occupied housing units are located. This is an improvement since the previous examination when 9 percent of loans were in LMI geographies. The New York and New Jersey segments of the CMSA assessment area had the most pronounced improvement.

Performance was excellent in both low- and moderate-income geographies. Two percent of loans were in low-income geographies, while 1 percent of housing units are located there. In moderate-income geographies where 10 percent of owner-occupied housing units are located, Chase originated or purchased 11 percent of its loans.

Performance was generally consistent within the assessment area but varied in the New York County portion of PMSA 5600 (New York, NY), in PMSA 5640 (Newark, NJ) and in the overall Connecticut portion of the CMSA. In these areas, the level of lending in LMI geographies was not as consistent with the level of owner-occupied housing units in LMI geographies as it was in the assessment area overall. Nonetheless, except for PMSA 5640 (Newark, NJ) and the low-income geographies of Connecticut, Chase performance in these areas exceeded that of the aggregate of all HMDA lenders.

Small Business Loans

The overall geographic distribution of small business loans reflects excellent penetration throughout the CMSA assessment area. Of all small business loans in the assessment area, 21 percent were in LMI geographies, which equals the number of business establishments in such geographies. Lending was strongest in low-income geographies where 7 percent of loans were originated and 6 percent of business establishments are located. Fourteen percent of loans were in moderate-income geographies, which contain 16 percent of businesses. The bank's overall performance in LMI geographies was consistent with the previous examination; however, substantial improvement was noted in the New Jersey portion of the CMSA assessment area.

Although performance was generally consistent in all portions of the CMSA assessment area, some weakness was noted in PMSA 5380 (Nassau-Suffolk, NY) and in New Jersey, particularly in PMSA 5640 (Newark, NJ). Such performance is generally attributable to the distribution of the bank's branches, which are known to be important in establishing business-banking relationships. In PMSA 5380 (Nassau-Suffolk, NY) and PMSA 5640 (Newark, NJ), the bank has fewer branches in low-income geographies.

Borrower Characteristics

Chase's distribution of home purchase loans and refinancings reflects a reasonable distribution among borrowers of different income levels, given the level of lending to moderate-income borrowers and high housing costs in relationship to income. The level of small business lending showed an excellent distribution of loans to small businesses, with most loans originated in amounts of \$100 thousand or less. For details, see Exhibits 5 and 6.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings across borrower income levels reflects a reasonable distribution, given the level of lending to moderate-income borrowers and high housing costs relative to low income levels in the assessment area, as discussed in the Performance Context starting on page BB27. For the examination period, 16 percent of loans were to LMI borrowers, who constitute 39 percent of families in the assessment area. Such performance was somewhat weaker than the aggregate of all HMDA reporters and the aggregate of HMDA reporters adjusted to exclude non-bank lenders.

Home purchase and refinance lending was strongest to moderate-income borrowers with 14 percent of loans to such borrowers. Moderate-income families total 17 percent of families in the assessment area. In the Connecticut portion of the CMSA assessment area as well as PMSA 5380 (Nassau-Suffolk, NY), lending to moderate-income borrowers exceeded the percentage of moderate-income families.

Chase's lending to low-income borrowers equaled 2 percent of all home purchase loans and refinancings; however, low-income families constitute 22 percent of assessment area families. The level of lending to low-income borrowers appears to result from the limited supply of affordable, owner-occupied housing units caused by the significant gap between housing costs in the CMSA assessment area and borrower income levels. Such a gap generally limits homeownership opportunities for low-income families. On average, low-income families in the CMSA assessment area would not earn more than \$31 thousand annually; however, the average median housing cost is approximately \$181 thousand. In portions of the assessment area such as PMSA 5600 (New York, NY) -- particularly New York County (Manhattan), PMSA 3640 (Jersey City, NJ) and MSA 8040 (Stamford-Norwalk, CT) -- the gap between income and housing costs is more than ten times. In these areas, Chase had its lowest levels of lending to LMI borrowers. In contrast, several MSAs in the Connecticut portion of the CMSA assessment area, such as PMSA 8880 (Waterbury, CT), had lower housing costs in relation to income, and the bank had stronger performance.

Activity of the aggregate of all HMDA reporters supports the contention that low-income borrowers are generally precluded from the mortgage market. For the examination period, all HMDA lenders reported only 4 percent of loans to low-income borrowers.

Lending to Small Businesses

Chase's record of lending to businesses of different sizes was excellent. Ninety-one percent of the bank's small business loans were for amounts of \$100 thousand or less. The average size of such loans was \$33,380, an amount that would meet the credit needs of smaller businesses. The bank's performance exceeded that of the aggregate of all small business loan reporters throughout the CMSA assessment area.

Of all small business loans in the CMSA assessment area, 54 percent of loans originated during the examination period were to businesses with GAR of \$1 million or less. The bank's share of small business loans to businesses with GAR of \$1 million or less may be higher than reported by the bank. Eighteen percent of the bank's small business loans did not indicate the revenue size of the borrower. According to management, these loans generally included credit card and automobile loans. Such loans are decided using a credit-scoring system that does not consider the revenue size of the business. Management provided information indicating that almost all borrowers in these categories had GAR of \$1 million or less.

Overall, Chase's performance relative to loans to businesses with GAR of \$1 million or less exceeded the aggregate of all other small business loan reporters. In New Jersey and Connecticut, however, performance was not as consistent with the aggregate because of the high level of lending without revenue size reported.

Community Development Lending

Chase's community development lending performance was outstanding. During the examination period, community development loan commitments in the CMSA assessment area totaled \$572 million, of which \$438 million or 77 percent were commitments originated since the previous examination.

Most community development lending benefited the New York portion of the CMSA assessment area where commitments totaled approximately \$520 million or 91 percent of total activity. Activity in the New Jersey portion of the CMSA totaled \$31 million (5 percent) and in Connecticut, the total was \$21 million (3 percent). Since Regulation BB does not require an institution to make community development loans in all portions of its assessment areas, a lack of community development lending in a particular area does not detract from the rating of the bank as a whole or its performance in a particular assessment area. For details, see Exhibit 7.

Innovative and Flexible Lending Practices

Except as noted, the innovative and/or flexible lending practices and programs discussed in the Institution section of this report on page BB15 are available in the CMSA assessment area.

INVESTMENT TEST

Chase had an excellent level of qualified community development investments and grants that exhibited strong responsiveness to credit and community development needs through investments in facilities and organizations involved in affordable housing, economic development, and community services. For details, see Exhibit 9.

Dollar Amount of Qualified Investments

The bank's level of qualified investments in the CMSA assessment area was strong, totaling \$365 million at this examination. Total investments consisted of \$338 million in investments in various agencies engaged in community development activity and \$27 million in charitable grants and contributions to organizations supporting community development projects and programs. Of total investments, \$309 million or 85 percent benefits the New York portion of the CMSA assessment area, while \$34 million (9 percent) benefits New Jersey and \$22 million (6 percent) benefits Connecticut. Since there is no requirement that qualified investments be made in all portions of an assessment area, the lack of qualified investments in a specific assessment area does not detract from the bank's overall performance.

Innovative and Complex Qualified Investments

Approximately \$280 million or 77 percent of total investments are LIHTCs which are considered complex because of accounting and monitoring requirements.

Responsiveness of Qualified Investments to Credit and Community Development Needs

As discussed in the Institution section on page BB18, Chase investments demonstrate an excellent response to the most pressing credit and community development needs in the bank's assessment area. Approximately 90 percent of investments were directed to agencies engaged in affordable housing, a primary credit need in the bank's assessment area. Economic development activity was principally directed toward local CDFIs which generally provide direct loans to very small businesses. This helps meet small business credit needs, which were identified as an important community need throughout the CMSA assessment area.

SERVICE TEST

Chase's rating on the service test is high satisfactory, based on the bank's record of providing retail banking and community development services in the CMSA assessment area.

Retail Banking Services

Accessibility of Branch Delivery Systems

The bank's branch delivery system was reasonably accessible to essentially all portions of the CMSA assessment area.

As of March 31, 1999, Chase operated 406 retail branches in the CMSA assessment area. Of all branches, 21 percent (87 branches) were located in LMI geographies, while 31 percent of all geographies in the assessment areas are LMI and 29 percent of the population resides in the LMI geographies. The primary weakness in the branch delivery system was found in New Jersey where only 2 of the 38 branches, or 5 percent, were located in LMI geographies. This is inconsistent with the demographics of the area where 37 percent of all geographies are LMI and 28 percent of the population resides in LMI geographies. In addition to retail branches, Chase operated seven private banking offices in the CMSA. Private banking offices are not accessible to the general public. Also, as discussed below, Chase offers alternative delivery systems for deposit and credit products.

Record of Opening and Closing Branches

Chase's record of opening and closing branches has not adversely affected the accessibility of its branch delivery system. Since the previous examination, the bank closed or consolidated 82 branches and opened 5 in the CMSA assessment area. Of the total closings/consolidations, 13 or 16 percent were in LMI geographies. Of the new offices, one was in an LMI geography.

Most closing and consolidation activity occurred in the New York portion of the CMSA following the 1996 merger of Chemical and Chase as branch locations were combined or closed to eliminate duplication of services. In all instances, the surviving location was upgraded to accommodate additional activity. In New York, 72 branches were closed or consolidated, primarily in New York County (Manhattan). In New Jersey, two branches were closed/consolidated, one of which was in an LMI geography. None of the eight branches closed or consolidated in Connecticut were located in an LMI geography.

Four new Chase branches were opened in PMSA 5600 (New York, NY) and one in PMSA 1930 (Danbury, CT). One new branch, in the Bronx County portion of PMSA 5600, was located in an LMI geography. For details, see Exhibit 10.

Availability and Effectiveness of Alternative Systems for Delivering Retail Banking Services

Chase employed multiple alternative delivery systems that were generally effective in enhancing distribution of banking services throughout the CMSA assessment area. The bank operated 524

ATM locations, of which 397 were in branches and 127 were located off-site at local offices and business establishments. Ninety-eight percent of the LMI branches in the CMSA were equipped with ATM facilities, and 33 percent of off-site ATMs are located in LMI geographies.

The other alternative delivery systems serving the assessment area are described in the Institution section of this report on page BB20.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Chase's business hours and services did not vary in a way that inconvenienced certain portions of its assessment areas, particularly LMI geographies and individuals. Regular banking hours were generally 8 a.m. to 4 p.m. Monday through Friday, and extended hours were available at approximately 73 percent of the bank's branches. Extended hours include Thursday and/or Friday evenings, Saturdays and, at supermarket locations, Sundays. Approximately 66 percent of branches located in LMI geographies had extended hours.

The bank offers a full range of retail and commercial deposit and credit services at all retail branches.

Community Development Services

The bank provided a very high level of community development services in the CMSA assessment area including seminars, technical assistance, in-kind contributions, and special products and services.

Throughout the CMSA assessment area, Chase conducted or participated in approximately 400 seminars and workshops. About 84 percent of the presentations concerned affordable housing topics with almost 35 percent conducted at Chase branches in LMI locations. Technical assistance was provided to at least 100 organizations serving affordable housing, community and economic development needs.

Details about Chase's other community development services in the CMSA assessment area can be found in the Institution section of this report.

NEW YORK STATE

CRA RATING FOR NEW YORK STATE: “SATISFACTORY.”

The lending test is rated: High Satisfactory.

The investment test is rated: High Satisfactory.

The service test is rated: High Satisfactory.

Chase’s performance in the state is rated “satisfactory,” based on the summary conclusions which follow. Performance is based on those areas within New York State that are not included within CMSA 5602.

LENDING TEST

- Chase’s lending activity showed a good responsiveness to the credit needs in the assessment areas; however, the volume of mortgage lending in the LMI geographies of the Binghamton and Buffalo MSAs was weak.
- The overall geographic distribution of loans reflected excellent loan penetration throughout the assessment areas.
- The overall distribution of loans among borrowers of different income levels and businesses of different sizes was excellent.
- The level of community development lending was good, totaling \$31 million.

INVESTMENT TEST

- The level of qualified investments was good and totaled \$12 million.

SERVICE TEST

- The bank’s delivery systems were readily accessible to essentially all portions of the bank’s assessment areas.
- Changes in branch locations did not adversely affect the accessibility of the bank’s delivery systems, and business hours and services did not vary in a way that inconvenienced certain portions of the assessment areas.

- Chase provided a relatively high level of community development services in the assessment areas.

DESCRIPTION OF CHASE'S OPERATIONS IN NEW YORK STATE

Headquartered in New York, New York, Chase is a full-service commercial bank providing a broad range of financial services to consumers and businesses. In terms of deposits, it is the largest bank in New York City. Chase is a wholly owned subsidiary of The Chase Manhattan Corporation ("the corporation"), the third largest bank holding company in the U.S. Other subsidiaries of the corporation relevant to this examination are Chase Manhattan Mortgage Corporation, a nationwide mortgage origination and secondary marketing subsidiary, and Chase Manhattan Bank USA, N.A., a national bank specializing in credit card lending. As of March 31, 1999, the bank had total assets of \$291 billion, net loans and leases of \$132 billion, total deposits of \$178 billion and total retail branch deposits of \$44 billion. At the same time, the corporation had total consolidated assets of \$366 billion.

As of March 31, 1999, Chase operated 73 full-service retail branches in the New York assessment areas, representing 15 percent of all retail branches in the bank's combined assessment areas. The branches account for approximately \$2 billion in deposits, or 5 percent of the bank's total branch deposits in its combined assessment areas. The largest branch concentration in the New York assessment areas was in MSA 6840 (Rochester, NY), where 31 branches or 42 percent were located.

Immediately prior to this examination, management announced intentions to sell 29 full-service retail branches in the New York assessment areas, primarily in MSA 1280 (Buffalo-Niagara Falls, NY) and MSA 0960 (Binghamton, NY) to Manufacturers and Traders Trust Company ("M&T"). The transaction was completed September 30, 1999.

Chase's full-service retail branch network is somewhat limited in its New York assessment area. Based on branch deposits reported to the Federal Deposit Insurance Corporation ("FDIC") as of June 30, 1998, the most recent year for which information was available at the time of this examination, Chase has approximately 9 percent of total deposits in its New York assessment areas. Primary competitors include HSBC and M&T, in addition to several community financial institutions, credit unions and non-bank lenders.

DESCRIPTION OF ASSESSMENT AREAS

Chase has nine New York State assessment areas including all or portions of eight MSAs and one non-MSA area as follows:

- Part of MSA 1280 (Buffalo-Niagara Falls, NY), including all of Erie County.
- Part of MSA 6840 (Rochester, NY), including Monroe County and portions of Wayne and Ontario Counties.

- Part of MSA 8160 (Syracuse, NY), including Onondaga County and portions of Oswego and Madison Counties.
- Part of MSA 0960 (Binghamton, NY), including Broome County and a portion of Tioga County.
- All of MSA 2335 (Elmira, NY), including Chemung County.
- Part of MSA 8680 (Utica-Rome, NY), including Oneida County.
- All of MSA 3610 (Jamestown, NY), including Chautauqua County.
- Part of MSA 0160 (Albany-Schenectady-Troy, NY), including portions of Albany, Rensselaer, Schenectady and Saratoga Counties.
- Part of non-MSA Steuben County.

Chase's New York State assessment areas are in compliance with the requirements of Section 228.41 of Regulation BB and do not arbitrarily exclude any LMI geographies. The assessment areas have not changed since the previous examination, based on the definition of the bank's upstate New York assessment area.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, 1990, the U. S. Department of Labor, the New York State Association of Realtors, the FRBNY Research and Market Analysis Group and The Chase Manhattan Bank Economics Department. For demographic details, see Exhibit 11.

Demographic Characteristics

According to the 1990 Census, the population of the New York State assessment areas is approximately 3.8 million. Approximately 25 percent of the population is concentrated in the assessment area portion of MSA 1280 (Buffalo-Niagara Falls, NY), the largest such concentration in the combined New York State assessment area. At the next census the overall population level is expected to decline. Major cities in the western part of the state such as Buffalo, Rochester and Syracuse have experienced large population declines over the decade, ranging from 6 percent to 8 percent.

Income Characteristics

In the assessment area, the 1997 HUD adjusted median family income ranges from a high of \$47,900 in MSA 6840 (Rochester, NY) to a low of \$36,000 in MSA 3610 (Jamestown, NY). For 1998, the adjusted income ranges from \$48,800 to \$36,300 in the same MSAs. Statewide, the HUD adjusted median family income approximates \$46,000. According to the 1990 Census, the same MSAs exemplified the high and low ranges (\$42,350 and \$20,582, respectively). Based on the 1990 Census, 268 of the 967 geographies used in the analysis, or 28 percent, are LMI geographies. The vast majority of LMI geographies are located in the cities of Buffalo, Rochester and Syracuse. The 1990 Census also indicates that approximately 40 percent of the

families residing in the assessment area are upper-income, 24 percent are middle-income, 18 percent are moderate-income and 18 percent are low-income.

Housing Characteristics

Of the New York State assessment areas' 1.6 million housing units, 936 thousand or 59 percent are owner-occupied and 514 thousand or 32 percent are rental units. The remaining 9 percent of housing units are vacant. In LMI geographies, however, the level of rental units increases to 56 percent. About 57 percent of housing units are single-family, while 26 percent are two- to four-family units. This level of multiple units is somewhat higher than the state level of 23 percent but consistent with the type of housing previously built in the major cities of the assessment areas to accommodate factory workers. Community contacts conducted during this examination noted a pressing need in assessment area cities for affordable loans to rehabilitate or purchase/rehabilitate such housing.

According to the 1990 Census, the median housing value in the New York State assessment areas is \$82,209. Based on 1998 data from the New York State Association of Realtors, the sale price of an existing single-family home in the assessment area is about \$83,850. This figure is approximately 63 percent of the state median sale price in 1998 of \$133 thousand, but about 78 percent of the upstate figure of \$107 thousand reported by the association. Home sales in the assessment areas have been sluggish; however, in 1997 and 1998, the volume of sales began to grow although at a much lesser rate than the state overall. Community contacts stated that the uncertain economic conditions in the region might keep LMI families from purchasing a home.

Labor, Employment and Economic Characteristics

Overall, the economy in upstate New York has been in decline for many years as a result of lost manufacturing jobs insufficiently offset by gains in other sectors such as service and retail. The most significant declines were felt in the Buffalo area where both the automobile and steel industries dramatically declined, and in Utica where a major air force base and a large defense contractor ceased operations. Between 1990 and 1996, employment in the upstate region declined 1.3 percent, while the U.S. had a 15 percent job growth. In 1997-98, despite signs of growth as the number of jobs started to increase, the rate of employment growth was less than half the national rate. Overall unemployment rates during 1997 and 1998 were low, with parts of upstate New York having unemployment rates matching national lows of nearly 4 percent. The upstate unemployment rates, however, appear to result more from declines in the population and labor force than from job growth.

Community contacts noted a definite need for loans to help establish and expand small business in the assessment area, as well as job training programs.

SCOPE OF EXAMINATION

The New York State rating is based on a full-scope analysis of the MSA 1280 (Buffalo-Niagara Falls, NY), MSA 6840 (Rochester, NY), MSA 8160 (Syracuse, NY) and MSA 0960 (Binghamton, NY) assessment areas. The evaluation also included general conclusions regarding the bank's performance in the remaining New York State assessment areas not specifically noted here. Performance in the Rochester and Syracuse MSAs was given the most weight in evaluating the bank's performance in the New York State assessment areas. Combined, the MSAs represent 62 percent of Chase branches and 75 percent of branch deposits in the New York State assessment area.

The evaluation of Chase's CRA performance covered the period January 1, 1997, through December 31, 1999. Loan products evaluated included home purchase loans and refinancings of such loans (which were evaluated together), small business loans and other loans that qualified as community development loans. Community development loan originations covered the period April 1, 1997, through March 31, 1999. In addition, bank investments, grants and services qualifying as community development also were included in the evaluation.

Home improvement and multifamily mortgage loans were not included in the evaluation. Home improvement credit needs are generally met through the bank's home equity product lines. Under Regulation C-HMDA, the bank is not required to gather HMDA-related information for such loans. No multifamily mortgage loans were originated in the assessment area.

The mortgage loans evaluated were reported pursuant to HMDA and either originated or purchased by Chase or its affiliates Chase Manhattan Mortgage Corporation or Chase Manhattan Bank USA, N.A. Affiliate activity represents originations and purchases only in the bank's assessment area not submitted to other regulators as part of other CRA examinations.

The small business loans evaluated were as reported pursuant to the CRA by either Chase or its affiliate Chase Manhattan Bank USA, N.A. The latter's activity represents only loans in the bank's assessment area that were not submitted to other regulators as part of other CRA examinations. Small business lending performance greatly influenced the evaluation. Such lending represented 64 percent of lending activity in the assessment areas. Community contacts emphasized the need for small business loans, which also is apparent from demographic and other performance context information.

For evaluation of the geographic distribution of loans, geographies were classified on the basis of the Census Bureau's 1990 income data. Distribution of loans to borrowers of different income levels was determined based on 1997 and 1998 HUD adjusted median family income data.

HMDA-related and small business loan performance was compared with the aggregate of all lenders in the bank's combined New York assessment area reporting real estate loans under HMDA and small business loans under the CRA. This information is reported annually. At the

time of this examination, the most recent year for which HMDA-related information was available was 1998, and the most recent year for which small business information was available was 1997.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK STATE

LENDING TEST

In the combined New York assessment area, Chase's performance under the lending test is rated high satisfactory.

Lending Activity

The bank's lending activity in the New York assessment areas reflects a good overall responsiveness to assessment area credit needs; however, weakness was noted in the level of HMDA-related lending, particularly in LMI geographies. This weakness was most apparent in the MSA 0960 (Binghamton, NY) and MSA 1280 (Buffalo-Niagara Falls, NY) assessment areas. Lending in the MSA 0160 (Albany-Schenectady-Troy, NY), MSA 8680 (Utica-Rome, NY) and MSA 2335 (Elmira, NY) assessment areas was generally modest but consistent with the bank's middle-market presence in these areas. There are no full-service retail branches in the assessment areas, and operations are focused on lending to medium-sized corporations and government entities.

During the examination period, 9,489 loans totaling \$798 million were reported, of which 64 percent were small business loans. Such activity represents 7 percent of all HMDA-related and 9 percent of all small business loans analyzed at this examination.

Since the previous examination, small business lending increased significantly overall and in LMI geographies; however, weakness was noted in HMDA-related loan growth, particularly in LMI geographies. Small business lending increased 397 percent between 1996 and 1997 and 329 percent in LMI geographies. Between 1997 and 1998, growth was 15 percent overall and 16 percent in LMI geographies.

Overall HMDA-related lending increased 18 percent between 1996 and 1997 and 45 percent between 1997 and 1998. These increases are lower than the bank overall for 1996 and 1997 when the bank increased its lending 25 percent, and 1997 and 1998 when the increase was 62 percent. Relative to lending in LMI geographies, the number of Chase loans actually declined 10 percent between 1996 and 1997 from 173 loans to 156 loans. Between 1997 and 1998, LMI loans increased 33 percent to 207 loans. For the same periods, the bank increased LMI lending by 79 percent in 1996-97 and 63 percent in 1997-98.

Most of the lending activity occurred in the MSA 6840 (Rochester, NY) assessment area with 41 percent HMDA-related lending and 36 percent small business lending.

Geographic Distribution of Lending

Overall, the analysis demonstrates excellent loan activity among the low-, moderate-, middle- and upper-income geographies in the combined New York assessment areas. Unless otherwise noted, Chase's performance exceeded the aggregate of all HMDA or small business loan reporters, as applicable. For details, see Exhibits 3 and 4.

Home Purchase Loans and Refinancings

Overall, the geographic distribution of home purchase loans and refinancings reflects good penetration in the New York assessment areas. During the examination period, 11 percent of loans (which number 362 loans) were in LMI geographies while 13 percent of owner-occupied housing units were in LMI geographies. Performance declined since the previous examination when 15 percent of loans were in LMI geographies; however, such calculations were based on 1,175 total loans and 173 loans in LMI geographies. As previously discussed, loan volumes have increased during this examination period.

Performance varied between low-income and moderate-income geographies. Approximately 2 percent of loans were in low-income geographies, while 2 percent of owner-occupied housing units were located there. In moderate-income geographies, where 10 percent of owner-occupied housing units are located, the bank and its affiliates originated or purchased 9 percent of its loans.

Performance was consistent in most portions of the combined New York assessment area, but weakness was noted in the MSA 0960 (Binghamton, NY) assessment area, and Chase's performance was inconsistent with the aggregate of all other HMDA reporters.

Small Business Loans

The overall geographic distribution of small business loans reflects excellent penetration throughout the combined New York assessment areas. Of all Chase small business loans in the assessment areas, 25 percent were in LMI geographies, which contain 23 percent of assessment area business establishments.

Lending in low-income geographies (10 percent) exceeded the level of business establishments in low-income geographies (7 percent). In moderate-income geographies the level of lending and business establishments was equivalent (15 percent).

At the previous examination, 29 percent of loans were in LMI geographies, but such performance was based on only 568 loans (163 in LMI geographies). At this examination, there were 6,077 small business loans (1,510 in LMI geographies).

Borrower Characteristics

The distribution of borrowers reflects excellent penetration among customers of different income levels and businesses of different sizes, based primarily on lending to moderate-income customers and small business performance. Most small business loans were in amounts of \$100 thousand or less. Unless otherwise noted, Chase's performance exceeded or was equivalent to the aggregate of all HMDA or small business loan reporters, as applicable. For details, see Exhibits 5 and 6.

Home Purchase Loans and Refinancings

The level of home purchase loans and refinancings to LMI borrowers was good. Overall, the bank and its affiliates reported 30 percent of loans to LMI borrowers, while LMI families represent 36 percent of families in the combined assessment areas.

Lending was strongest to moderate-income borrowers (23 percent) and exceeded the percentage of moderate-income families (18 percent) in the combined assessment areas. With respect to low-income borrowers, 7 percent of home purchase loans and refinancings originated or purchased were made to such borrowers. Low-income families represent 18 percent of families in the combined assessment areas.

The percentage of lending to low-income borrowers by the aggregate of HMDA reporters in the combined assessment areas was also lower than the percentage of low-income families. Although many moderate-income families can afford to purchase their own home, housing costs are approximately three to four times the income levels of low-income borrowers whose average annual income would not exceed \$21,275. Also, community contacts noted that the economic uncertainty in the area might prevent some lower-income families from homeownership. They also noted that many affordable homes are older and in need of repair, particularly in the major cities.

Lending to Small Businesses

Chase's record of lending to businesses of different sizes was excellent. Eighty-five percent of small business loans were for amounts of \$100 thousand or less. The average size of such loans was \$30,812, an amount that would meet the credit needs of smaller businesses.

Also, approximately 52 percent of all small business loans were to businesses with GAR of \$1 million or less. The bank's share of small business loans to businesses with GAR of \$1 million or less may be higher than the bank reported. Eleven percent of the bank's small business loans did not indicate the revenue size of the borrower. According to management, these loans generally included credit card and automobile loans that are credit-scored. The revenue size of the business is not considered when making those credit decisions. Management provided information indicating almost all borrowers in these categories had GAR of \$1 million or less.

Community Development Lending

Community development lending performance was good. During the examination period, community development loan commitments in the New York assessment areas totaled \$31 million, or 5 percent of total bank community development loans. Of total assessment area community development loans, \$24 million or 79 percent were commitments originated since the previous examination. At the previous examination, community development lending totaled \$30 million or 7 percent of total Chase community development loans.

Most community development lending was in the MSA 6840 (Rochester, NY) assessment area where commitments totaled approximately \$13.5 million or 44 percent of total activity in New York. Since Regulation BB does not require an institution to make community development loans in all portions of its assessment areas, a lack of community development lending in a particular area does not detract from the rating of the bank as a whole or its performance in a particular assessment area. For details, see Exhibit 7.

Innovative and Flexible Lending Practices

Except as noted, the innovative and/or flexible lending practices and programs discussed in the Institution section of this report beginning on page BB15 are available in the New York assessment areas. Of particular importance in these assessment areas are the local affordable housing programs including the Time of Jubilee and Syracuse Housing Programs in the MSA 8160 (Syracuse, NY) assessment area and the LMI Housing Program in the MSA 1280 (Buffalo-Niagara Falls, NY), MSA 6840 (Rochester, NY) and MSA 8160 (Syracuse, NY) assessment areas. All are 30-year mortgage loan programs featuring a minimum down payment of only \$500 from the borrower's own resources and expanded debt-to-income ratios.

INVESTMENT TEST

In the New York assessment areas, Chase had a good level of qualified community development investments and grants that exhibited strong responsiveness to credit and community development needs. For details, see Exhibit 9.

Dollar Amount of Qualified Investments

At this examination, the level of qualified investments totaled \$12 million, or 3 percent of the bank's total qualified investments. Total investments consisted of \$10.3 million in investments in various agencies engaged in community development activity and \$1.7 million in charitable grants and contributions to organizations supporting community development projects and programs. Most qualified investments were made in MSA 6840 (Rochester, NY), where activity totaled \$10 million or 83 percent of total investments in the combined New York assessment areas. Since there is no requirement that qualified investments be made in all portions of an assessment area, the lack of qualified investments in a specific assessment area does not detract from the bank's overall performance.

Innovative and Complex Qualified Investments

Approximately \$9.2 million or 77 percent of total investments are LIHTCs which are considered complex because of accounting and monitoring requirements.

Responsiveness of Qualified Investments to Credit and Community Development Needs

As discussed in the Institution section, Chase's investments demonstrate an excellent response to the most pressing credit and community development needs in the bank's assessment area. Approximately 90 percent of investments were directed to agencies engaged in affordable housing, a primary credit need in the New York assessment areas. Economic development activity was directed principally toward local CDFIs, which generally provide direct loans to very small businesses. This helps meet small business credit needs, which were identified as an important community need particularly in the New York assessment areas.

SERVICE TEST

Chase's rating on the service test is outstanding, based on the bank's record of providing retail banking and community development services in the New York assessment areas.

Retail Banking Services

Accessibility of Branch Delivery Systems

The bank's branch delivery system was readily accessible to essentially all portions of the New York assessment areas.

As of March 31, 1999, Chase operated 73 retail branches in the New York assessment areas. Of the branches, 26 percent (19 branches) were located in LMI geographies, while 29 percent of all geographies in the assessment areas are LMI and 21 percent of the population resides in the LMI geographies. Branch distribution was particularly strong in MSA 0960 (Binghamton, NY) and MSA 1280 (Buffalo-Niagara Falls, NY) where 55 percent and 43 percent of branches, respectively, were in LMI geographies. For details, see Exhibit 10.

In addition to the retail branches, Chase operates five middle-market offices in the New York assessment areas. Middle-market offices are not open to the general public; instead their business strategy focuses on businesses with GAR of \$3 million or more and government entities. Also, as discussed below, Chase offers alternative delivery systems for deposit and credit products.

Record of Opening and Closing Branches

The bank's record of opening and closing branches has not adversely affected the accessibility of its branch delivery system. Since the previous examination, no branches were opened, and the bank closed one branch. Located in the MSA 8160 (Syracuse, NY) assessment area, the closed branch was not in an LMI geography.

Availability and Effectiveness of Alternative Systems for Delivering Retail Banking Services

Chase employed multiple alternative delivery systems that effectively enhanced distribution of banking services throughout the New York assessment areas. The bank operated 80 ATM locations, of which 61 were in branches and 19 were located off-site at local offices and business establishments. Sixty-eight percent of the LMI branches in the New York assessment areas were equipped with ATM facilities.

The other alternative delivery systems serving the assessment areas are described in the Institution section of this report.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Chase's business hours and services did not vary in a way that inconvenienced certain portions of its assessment areas, particularly LMI geographies and individuals. Extended hours were available at approximately 96 percent of the bank's branches and include Thursday and/or Friday evenings and Saturdays.

The bank offers a full range of retail and commercial deposit and credit services at all retail branches.

Community Development Services

The bank provided a high level of community development services in the New York assessment areas including seminars, technical assistance, in-kind contributions, and special products and services.

In the New York assessment areas specifically, Chase conducted or participated in approximately 125 seminars and workshops. About 94 percent of the presentations concerned affordable housing, while other programs centered on forming and financing small businesses and community development techniques. Technical assistance was provided to at least 20 organizations serving affordable housing, community and economic development needs.

Other Chase community development services that impact the New York assessment areas are described in the Institution section.

METROPOLITAN STATISTICAL AREAS

MSA 1280 (BUFFALO-NIAGARA FALLS, NY)

Overall performance in the MSA was good, based on the following summary conclusions:

- The overall geographic distribution of loans across geographies of different income levels was good; however, the volume of HMDA-related loans in LMI geographies showed weaknesses.
- Overall, there was a good distribution of loans among borrowers of different income levels and businesses of different sizes.
- Chase delivery systems were readily accessible to the entire assessment area portion of the MSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of March 31, 1999, Chase maintained seven branches, or 10 percent of all Chase branches in the New York State assessment areas, in the assessment area portion of MSA 1280. The branches contained approximately \$103 million in deposits or 5 percent of the bank's deposits in the overall New York assessment area.

During the examination period, Chase and its affiliates reported 712 home purchase loans and refinancings and 675 small business loans in the assessment area portion of the Buffalo-Niagara Falls MSA. The loans represent approximately 21 percent and 11 percent, respectively, of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

The following demographic and economic information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor, the New York State Association of Realtors, the FRBNY Research and Market Analysis Group and The Chase Manhattan Bank Economics Department. For demographic details, see Exhibit 11.

PERFORMANCE CONTEXT

Demographic Characteristics

MSA 1280 includes Erie and Niagara Counties in western New York State, but only Erie County, which contains Buffalo (the state's second largest city) is included in Chase's assessment area. According to the 1990 Census, the total population of Erie County is 968,532, but between 1990 and 1998, the population declined by approximately 3 percent. MSA 1280 has the highest population concentration of any of the assessment areas included in the bank's overall New York assessment area.

Income Characteristics

The HUD adjusted median family income for MSA 1280 was \$42,600 in 1997 and \$44,000 in 1998, approximately 5 percent less than the state median family income. According to the 1990 Census, the median family income for Erie County is \$35,061, slightly higher than the median family income for the entire MSA (\$34,831), but lower than the 1990 median family income for New York State (\$39,741). Based on the 1990 Census, of the 233 census tracts considered for analysis, 70 or 30 percent are considered LMI tracts. The vast majority of LMI tracts are located within the city of Buffalo. The 1990 Census also indicates that approximately 38 percent of the families residing in Erie County are upper-income, 24 percent are middle-income, 18 percent are moderate-income and 20 percent are low-income.

Housing Characteristics

Of Erie County's 402,131 housing units, 240,246 or 60 percent are owner-occupied, and 136,748 or 34 percent are rental units. Within LMI tracts, however, the level of owner-occupancy is only 37 percent while rental units comprise 52 percent of all housing units. Only 27 percent of housing units in Buffalo are single-family units. Of the multifamily units, 57 percent are two- to four-family units, referred to locally as "doubles." Construction generally pre-dates 1940 and many neighborhoods in the city show signs of disinvestment. At this time, approximately 22 thousand housing units in Buffalo are vacant.

Community contacts conducted during this examination suggested that rather than constructing new affordable housing, the primary need is to rehabilitate existing housing. They note that the most pressing community credit needs are subsidized rehabilitation loans for owners and investors, including community development corporations. Purchase/rehabilitation mortgage loans for multifamily homes are also needed.

Based on the 1990 Census, the median housing value in Erie County is \$73,614. The New York State Association of Realtors has reported that housing costs have risen in the area. In 1997 the median sales price of existing single-family homes in the Buffalo-Erie-Lockport area was \$83,030, increasing to \$84,510 in 1998. Such values are approximately 65 percent of the state median. Community contacts noted that new affordable housing constructed in the City of Buffalo's Home Ownership Zone was priced at approximately \$65 thousand, after a \$25 thousand subsidy. Also, the realtors association reported that the volume of existing single-

family homes sold in the Buffalo-Erie-Lockport area increased. In 1997 reported sales totaled 8,003, increasing approximately 10 percent to 8,821 in 1998. The increase, however, is far below state levels, where sales volume increased 22 percent between 1997 and 1998.

Labor, Employment and Economic Characteristics

Overall, the upstate New York economy has been in decline as a result of the loss of manufacturing jobs in the region. Hardest hit has been the Buffalo area where the shrinking automobile and steel industries caused significant economic decline in the city and surrounding areas. Throughout the period, job losses in manufacturing were not sufficiently offset by gains in other sectors, particularly the service sector, and the entire upstate New York area ranked 49th in job growth in the U.S.

Between 1997 and 1998, very small increases were reported in the number of available jobs. In the Buffalo MSA, the number of jobs increased from 544,300 in 1997 to 544,800 in 1998. The overall unemployment rate in the MSA for 1997 and 1998 was 5.4 percent and 5.3 percent, respectively. Unemployment rates were higher than national levels but slightly lower than the New York State unemployment rate, which declined to 5.6 percent for 1998. The unemployment rate in the Buffalo area has generally fallen since 1992, but the drop apparently results from population declines rather than increased job opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 1280 (BUFFALO-NIAGARA FALLS, NY)

LENDING TEST

Geographic Distribution of Lending

Overall, the geographic distribution of loans in the Buffalo MSA was good; however, the volume of HMDA-related loans in LMI geographies showed weaknesses, as discussed on page BB48. For details, see Exhibits 3 and 4. Unless otherwise noted, Chase's performance exceeded the aggregate of all HMDA or small business loan reporters, as applicable.

Home Purchase Loans and Refinancings

The geographic distribution of home purchase loans and refinancings was adequate. During the examination period, 12 percent of loans were in LMI geographies while 17 percent of owner-occupied housing units were in LMI geographies. Two percent of loans were in low-income geographies, which contain 4 percent of owner-occupied housing units. While 13 percent of owner-occupied housing units are in moderate-income geographies, the bank and its affiliates originated or purchased 10 percent of total loans in such geographies. Chase's performance was slightly weaker than the aggregate of all HMDA reporters.

Small Business Loans

The distribution of small business loans in MSA 1280 (Buffalo-Niagara Falls, NY) was excellent. Twenty-six percent of loans were in LMI geographies, which contain 20 percent of the business establishments in the MSA. The level of lending in both low-income and moderate-income geographies exceeded the number of business establishments.

Borrower Characteristics

Overall, the distribution of home purchase loans and refinancings among borrowers of different income levels was adequate. The distribution of loans to businesses of different sizes was good. Unless otherwise noted, Chase's performance exceeded the aggregate of all HMDA or small business loan reporters, as applicable. For details, see Exhibits 5 and 6.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings among borrowers of different income levels reflects an adequate distribution. For the examination period, 27 percent of loans were to LMI borrowers while 38 percent of families in the assessment area portion of the MSA are considered LMI. Lending was strongest to moderate-income borrowers (22 percent) and exceeded the percentage of moderate-income families (18 percent) in the assessment area portion of the MSA. With respect to low-income borrowers, 5 percent of home purchase loans and refinancings originated or purchased were made to such borrowers. Low-income families represent 20 percent of families in the assessment area portion of the MSA.

The percentage of lending to low-income borrowers (6 percent) by the aggregate of HMDA reporters in the assessment area portion of the MSA was also lower than the percentage of low-income families, but it exceeded Chase's performance. Although many moderate-income families can afford to purchase their own home, housing costs are approximately three to four times the income levels of low-income borrowers whose average annual income would not exceed \$22 thousand. Also, community contacts noted that the economic uncertainty in the area might prevent some lower-income families from attaining homeownership.

Lending to Small Businesses

Chase's record of lending to businesses of different sizes was good in MSA 1280 (Buffalo-Niagara Falls, NY). Of all small business loans, 84 percent were for amounts of \$100 thousand or less. The average size of such loans was \$26,969, an amount that would meet the credit needs of smaller businesses.

During the examination period, 49 percent of Chase's small business loans in the MSA were to businesses with GAR of \$1 million or less. Chase's performance was less than the aggregate of all other small business loan reporters; however, the revenue size of the business was not considered for 16 percent of all small business loans reported. Management noted that such loans were generally credit card and automobile loans for which the revenue size of the business

is not considered in the credit decision, and that such borrowers generally had GAR of \$1 million or less.

Community Development Lending

Chase's community development lending in MSA 1280 (Buffalo-Niagara Falls, NY) totaled approximately \$2.4 million. All lending represented new commitments since the previous examination.

Innovative and Flexible Lending Practices

As previously discussed, Chase originates mortgages under the Buffalo LMI Housing Program.

INVESTMENT TEST

Qualified investments in the Buffalo-Niagara Falls MSA totaled \$332 thousand. All investments were new since the previous examination.

SERVICE TEST

Retail Banking Services

Accessibility of Delivery Systems

Chase's branch network was readily accessible to all portions of the MSA 1280 assessment area. Of the seven branches in the MSA, three or 43 percent were in LMI geographies. In the assessment area portion of the MSA, 31 percent of geographies are LMI and 25 percent of the population reside in LMI geographies.

Record of Opening and Closing of Branches

During the examination period, no branches were opened or closed in the MSA.

Availability and Effectiveness of Alternative Systems for Delivering Retail Banking Services

Chase operated four ATM locations in the assessment area portion of the MSA. One of the three LMI branch locations was equipped with an ATM.

Information on other alternative delivery systems employed by Chase is included in the Institution section of this report.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Branch hours and services did not vary in a way that inconvenienced certain portions of the MSA. Extended evening and Saturday hours were available at all branches in the MSA.

Community Development Services

Chase supports community development activities in the MSA through seminars, technical assistance, and special products and services. During the examination period, the bank sponsored or participated in over 40 seminars and workshops, with most focused on affordable housing topics. In addition, Chase employees provided technical assistance by serving on boards and committees of several community development organizations including Buffalo Neighborhood Housing Services. Other community development service activities are described in the Institution section.

MSA 6840 (ROCHESTER, NY)

Overall performance in the MSA was excellent, based on the following summary conclusions:

- The overall geographic distribution of loans across geographies of different income levels was excellent.
- Overall, there was an excellent distribution of loans among borrowers of different income levels and businesses of different sizes.
- Chase delivery systems were readily accessible to the entire assessment area portion of the MSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Chase's presence in its New York State assessment areas is concentrated in MSA 6840 (Rochester, NY). As of March 31, 1999, Chase maintained 31 branches, or 42 percent of all Chase branches in its New York State assessment area, in the assessment area portion of MSA 6840. Ninety percent of the branches (28) were concentrated in Monroe County, primarily in the city of Rochester and the surrounding suburbs. The branches contained approximately \$983 million in deposits or 49 percent of the bank's deposits in the overall New York State assessment area.

During the examination period, Chase and its affiliates reported 1,400 home purchase loans and refinancings and 2,212 small business loans in the assessment area portion of the Rochester MSA, representing the largest volume of lending in any of the New York State assessment areas. The loans represent approximately 41 percent and 36 percent, respectively, of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

The following demographic and economic information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor, the New York State Association of Realtors, the FRBNY Research and Market Analysis Group, and The Chase Manhattan Bank Economics Department. For demographic details, see Exhibit 11.

PERFORMANCE CONTEXT

Demographic Characteristics

Of the six counties in MSA 6840 (Rochester, NY), Chase includes all of Monroe County and portions of Wayne and Ontario Counties in its assessment area. The assessment area portion of the MSA has a population of approximately 816 thousand with 88 percent or 714 thousand in Monroe County. Monroe County contains the city of Rochester, the major population center of the MSA. Although current population estimates for the assessment area portion of the MSA show little overall change, Rochester's population declined approximately 9 percent between 1990 and 1998.

Conclusions regarding the bank's performance in MSA 6840 rely primarily on activity in the Monroe County portion of the delineation as it contains the greatest number of lending opportunities in LMI geographies and the highest overall population level. Performance in Wayne and Ontario Counties was not material to the conclusions.

Income Characteristics

In 1997 and 1998, the HUD adjusted median family income for MSA 6840 was \$47,900 and \$48,800, respectively, slightly higher than the overall state median family income and the highest in the bank's combined New York State assessment area. According to the 1990 Census, the median family income for the assessment area portion of the MSA is \$42,350. Based on the 1990 Census, 68 of the 204 census tracts considered for analysis, or 33 percent, are considered LMI tracts. All of the LMI tracts are located in Monroe County, primarily in Rochester. The 1990 Census also indicates that approximately 41 percent of the families residing in the assessment area portion of MSA 6840 are upper-income, 24 percent are middle-income, 17 percent are moderate-income and 18 percent are low-income.

Housing Characteristics

Of the 325,343 housing units in the assessment area portion of MSA 6840, 205,199 or 63 percent are owner-occupied and 103,601 or 32 percent are rental units. Within LMI tracts, however, the level of owner-occupancy is only 38 percent while rental units comprise 54 percent of all housing units. Housing, particularly in Rochester, is old, and community contacts

conducted during this examination noted that individuals and community organizations need financing to rehabilitate such property.

Based on the 1990 Census, the median housing value in the assessment area is \$89,399. The New York State Association of Realtors reported that housing values in the area have risen somewhat after sharp declines in the mid-1990s. In 1997 the median sales price of existing single-family homes in the Rochester/Monroe County area was \$92,500 increasing to \$94,440 in 1998. These prices are approximately 70 percent of the state median figures. Sale prices of new affordable homes constructed as part of the Rochester Home Expo Program range from \$62 thousand to \$66 thousand, after subsidies. In the past four years approximately 500 Expo homes were constructed. Also, the realtors association reported that after many years of a very weak housing market, the volume of existing single-family homes sold in the Rochester/Monroe County area has begun to increase.

Labor, Employment and Economic Characteristics

As in other communities in western New York State, the Rochester MSA experienced economic decline resulting from the loss of manufacturing jobs. Although downsizings continue and the manufacturing sector lost over 5,000 jobs since 1992, firms such as Eastman Kodak Company, Xerox Corporation and Bausch & Lomb remain the area's largest corporate employers. The Rochester MSA has been more successful in offsetting lost manufacturing jobs through increases in service sector employment opportunities. The city of Rochester is actively promoting the establishment of small technology-oriented businesses, particularly in the biomedical area. Between 1997 and 1998, the total number of jobs in the Rochester MSA increased from 531,600 to 537,840. Although such growth is below New York State and national rates, it represents important gains for the area.

Unemployment rates have also declined in MSA 6840 (Rochester, NY). The overall unemployment rate in the MSA for 1997 and 1998 was 4.1 percent and 4 percent respectively. These rates are consistent with national rates and lower than the state unemployment rate, which declined to 5.6 percent for 1998. Current unemployment rates appear to result more from declines in the population and labor force than from job growth, however.

Community contacts conducted during this examination noted the need for small business loans, especially to new businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 6840 (ROCHESTER, NY)

LENDING TEST

Geographic Distribution of Lending

Overall, the geographic distribution of loans in the Rochester MSA was excellent. Unless otherwise noted, Chase's performance exceeded the aggregate of all HMDA or small business loan reporters, as applicable. For details, see Exhibits 3 and 4.

Home Purchase Loans and Refinancings

The geographic distribution of home purchase loans and refinancings was good. During the examination period, 10 percent of loans were in LMI geographies while 13 percent of owner-occupied housing units were in LMI geographies. Two percent of loans were in low-income geographies, which contain 3 percent of owner-occupied housing units. While 9 percent of owner-occupied housing units are in moderate-income geographies, the bank and its affiliates originated or purchased 8 percent of total loans in such geographies.

Small Business Loans

The distribution of small business loans in MSA 6840 (Rochester, NY) was excellent. Twenty-three percent of loans were in LMI geographies, which contain 21 percent of the business establishments in the MSA. The level of lending in low-income geographies (10 percent) exceeded the level of business establishments (7 percent), while in moderate-income geographies, loans (13 percent) were slightly less than the level of businesses (14 percent).

Borrower Characteristics

Overall, the distribution of home purchase loans and refinancings among borrowers of different income levels was good. The distribution of loans to businesses of different sizes was excellent. Unless otherwise noted, Chase's performance equaled or exceeded the aggregate of all HMDA reporters in the assessment area. For details, see Exhibits 5 and 6.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings among borrowers of different income levels reflects good performance. For the examination period, 29 percent of loans were to LMI borrowers while 35 percent of families in the assessment area portion of the MSA are considered LMI. Lending was strongest to moderate-income borrowers (21 percent) and exceeded the percentage of moderate-income families (17 percent) in the assessment area portion of the MSA. With respect to low-income borrowers, 8 percent of home purchase loans and refinancings originated or purchased were made to such borrowers. Low-income families represent 18 percent of families in the assessment area portion of the MSA.

The percentage of lending to low-income borrowers by the aggregate of HMDA reporters in the assessment area portion of the MSA was also lower than the percentage of low-income families, but it exceeded Chase's performance. Although many moderate-income families can afford to purchase their own home, housing costs are approximately three to four times the income levels of low-income borrowers whose average annual income would not exceed \$24,400. Also, community contacts noted that the economic uncertainty in the area might prevent some lower-income families from homeownership.

Lending to Small Businesses

Chase's record of lending to businesses of different sizes was excellent in MSA 6840. Of all small business loans, 84 percent were for amounts of \$100 thousand or less. The average size of such loans was \$32,002, an amount that would meet the credit needs of smaller businesses.

During the examination period, 53 percent of Chase's small business loans in the MSA were to businesses with GAR of \$1 million or less. In the MSA, the revenue size of the business was not considered for 9 percent of all small business loans reported. Management noted that such loans were generally credit card and automobile loans for which the revenue size of the business is not considered in the credit decision and that such borrowers generally had GAR of \$1 million or less.

Community Development Lending

Chase community development lending in MSA 6840 (Rochester, NY) totaled approximately \$13.5 million. Approximately 96 percent of such lending represented new commitments since the previous examination.

Innovative and Flexible Lending Practices

As previously discussed, Chase originates mortgages under the Rochester LMI Housing Program.

INVESTMENT TEST

Qualified investments in the MSA totaled \$10.4 million.

SERVICE TEST

Retail Banking Services

Accessibility of Delivery Systems

Chase's branch network was readily accessible to all portions of the MSA 6840 (Rochester, NY) assessment area. Of the 31 branches in the MSA, 6 or 19 percent were in LMI geographies. In the assessment area portion of the MSA, 34 percent of all geographies are LMI and 20 percent of the population reside in LMI geographies.

Record of Opening and Closing of Branches

During the examination period, no branches were opened or closed in the MSA.

Availability and Effectiveness of Alternative Systems for Delivering Retail Banking Services

Chase operated 41 ATM locations in the assessment area portion of the MSA. Of the branches in LMI geographies, 83 percent were equipped with an ATM.

Information on other alternative delivery systems employed by Chase is found in the Institution section of this report on page BB20.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Branch hours and services did not vary in a way that inconvenienced certain portions of the MSA. Extended evening and Saturday hours were available at all branches in the MSA.

Community Development Services

Chase supports community development activities in the MSA through seminars, technical assistance, and special products and services. During the examination period, the bank sponsored or participated in approximately 35 seminars and workshops. Seminars focused on affordable housing, and most were conducted in conjunction with community development organizations such as Neighborhood Housing Services. In addition, Chase employees provided technical assistance by serving on the boards and committees of several community development organizations. Other community development service activities are described in the Institution section on page BB21.

MSA 8160 (SYRACUSE, NY)

Overall performance in the MSA was excellent, based on the following summary conclusions:

- The overall geographic distribution of loans across geographies of different income levels was excellent.
- Overall, the distribution of loans among borrowers of different income levels and businesses of different sizes was excellent.
- Chase delivery systems were readily accessible to the entire assessment area portion of the MSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of March 31, 1999, Chase maintained 14 branches, or 19 percent of all Chase branches in the New York State assessment areas, in the assessment area portion of MSA 8160. All but two branches were concentrated in Onondaga County, primarily in the city of Syracuse and the surrounding suburbs. The branches contained approximately \$524 million in deposits or 26 percent of the bank's deposits in the overall New York State assessment area.

During the examination period, Chase and its affiliates reported 626 home purchase loans and refinancings and 1,396 small business loans in the assessment area portion of the Syracuse MSA. The loans represent approximately 18 percent and 23 percent, respectively, of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

The following demographic and economic information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor, the New York State Association of Realtors, the FRBNY Research and Market Analysis Group, and The Chase Manhattan Bank Economics Department. For details, see Exhibit 11.

PERFORMANCE CONTEXT

Demographic Characteristics

In MSA 8160 (Syracuse, NY), Chase's assessment area includes all of Onondaga County and portions of Oswego and Madison Counties. According to the 1990 Census, the assessment area portion of the MSA has a population of approximately 590 thousand with approximately 80 percent or 469 thousand in Onondaga County. Onondaga County contains the city of Syracuse. It is estimated that between 1990 and 1997 the Syracuse MSA had an overall population decline of .7 percent, driven by a population loss of 1.6 percent in Onondaga County.

Lending activity in Onondaga County was most significant in reaching a conclusion relative to Chase's performance in the Syracuse MSA since population and LMI lending opportunities were most prevalent. Activity in the assessment area portions of Oswego and Madison Counties were not material to the analysis.

Income Characteristics

In 1997 and 1998, the HUD adjusted median family income for MSA 8160 was \$43,600 and \$44,500, respectively, somewhat lower than the overall state median family income of \$46,000. According to the 1990 Census, the median family income for the assessment area portion of the MSA is \$37,701. Based on the 1990 Census, 45 of the 170 census tracts considered for analysis, or 26 percent, are considered LMI. Thirty-seven of the LMI tracts, or 82 percent, are located in Syracuse. The 1990 Census also indicates that approximately 40 percent of the families residing

in the assessment area portion of MSA 8160 are upper-income, 24 percent are middle-income, 18 percent are moderate-income and 18 percent are low-income.

Housing Characteristics

Of the 237,313 housing units in the assessment area portion of MSA 8160, 143,489 or 61 percent are owner-occupied and 77,620 or 33 percent are rental units. Within LMI tracts, however, the level of owner-occupancy is only 28 percent while rental units comprise 61 percent of all housing units. Within the city of Syracuse, the level of owner-occupancy in LMI tracts is only 23 percent while rental occupancy is 65 percent. The median age of housing pre-dates 1940, and only 36 percent of housing units in Syracuse are single-family units. Community contacts noted the high housing vacancy rates in Syracuse, which has caused blighted neighborhoods in need of stabilization.

Based on the 1990 Census, the median housing value in the assessment area is \$78,131. The New York State Association of Realtors has reported that current housing values in the area are only slightly higher. In 1997 the median sales price of existing single-family homes in the greater Syracuse/Onondaga County area was \$79,610, increasing to \$81,390 in 1998. These prices are approximately 60 percent of the state median figures. Also, the association reported that the volume of existing single-family homes sold increased somewhat between 1997 and 1998. In 1998 reported sales totaled 4,140 compared with 4,059 sales in 1997. The increase, however, is well below levels for the state, where sales volume increased 22 percent between 1997 and 1998.

Community contacts noted that low-cost housing opportunities in Syracuse range from an estimated \$30 thousand to \$50 thousand; however, the lack of local jobs and adequate income prevent many families from buying a home.

Labor, Employment and Economic Characteristics

As in the other western New York State communities, the Syracuse MSA experienced an economic decline as a result of lost manufacturing jobs. Factory jobs totaled approximately 60 thousand at the end of 1988, but declined to below 49 thousand by the end of 1995, reducing manufacturing's share of local private jobs from 21 percent to approximately 17.5 percent. Over the past three years, however, the total number of jobs began a gradual increase particularly in the service sector and even in the manufacturing sector, when manufacturers of industrial machinery, electronic equipment and automobile parts resumed hiring. Between 1997 and 1998, the number of jobs in the Syracuse area increased approximately 1.2 percent from 335,850 to 339,790. Although such growth is below state and national rates, it represents important gains for the area.

Unemployment has declined in MSA 8160. The overall unemployment rate in the MSA for 1997 and 1998 is 4.7 percent and 4.1 percent, respectively. These rates are generally consistent with national rates and lower than the New York State unemployment rate, which declined to 5.6 percent for 1998. The unemployment rate in the Syracuse MSA has generally fallen in

recent years; however, the previously discussed population declines rather than increased job opportunities may be the primary factor.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 8160 (SYRACUSE, NY)

LENDING TEST

Geographic Distribution of Lending

Overall, the geographic distribution of loans in the Syracuse MSA was excellent. Unless otherwise noted, Chase performance exceeded that of the aggregate of all HMDA or small business loan reporters, as applicable. For details, see Exhibits 3 and 4.

Home Purchase Loans and Refinancings

The geographic distribution of home purchase loans and refinancings was good. During the examination period, 9 percent of loans were in LMI geographies while 11 percent of owner-occupied housing units are in LMI geographies. Less than 1 percent of loans were in low-income geographies, which contain 2 percent of owner-occupied housing units. While 10 percent of owner-occupied housing units are in moderate-income geographies, the bank and its affiliates originated or purchased 9 percent of total loans in such geographies.

Small Business Loans

The distribution of small business loans in MSA 8160 was excellent. Twenty-five percent of loans were in LMI geographies, which contain 24 percent of the business establishments in the MSA. The level of lending in low-income geographies equaled the number of business establishments, while in moderate-income geographies, loans (15 percent) were slightly greater than the number of businesses (14 percent).

Borrower Characteristics

Overall, the distribution of home purchase loans and refinancings among borrowers of different income levels was good. The distribution of loans to businesses of different sizes was excellent. Unless otherwise noted, Chase's performance equaled or exceeded the aggregate of all HMDA reporters in the assessment area. For details, see Exhibits 5 and 6.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings among borrowers of different income levels reflects excellent distribution. For the examination period, the level of lending to LMI borrowers equaled the level of LMI families in the assessment area portion of the MSA.

Lending was strongest to moderate-income borrowers with such lending (28 percent) exceeding the percentage of moderate-income families (18 percent) in the assessment area portion of the MSA. With respect to low-income borrowers, 8 percent of home purchase loans and refinancings originated or purchased were made to such borrowers. Low-income families represent 18 percent of families in the assessment area portion of the MSA.

The percentage of lending to low-income borrowers by the aggregate of HMDA reporters in the assessment area portion of the MSA was also lower than the percentage of low-income families. Although many moderate-income families can afford to purchase their own home, housing costs are approximately three to four times the income levels of low-income borrowers whose average annual income would not exceed \$22,250. Also, community contacts noted that the economic uncertainty in the area might prevent some lower-income families from homeownership.

Lending to Small Businesses

Chase's record of lending to businesses of different sizes was excellent in MSA 8160. Of all small business loans, 87 percent were for amounts of \$100 thousand or less. The average size of such loans was \$31,231, an amount that would meet the credit needs of smaller businesses.

During the examination period, 53 percent of Chase's small business loans in the MSA were to businesses with GAR of \$1 million or less. In the MSA, the revenue size of the business was not considered for 12 percent of all small business loans reported. Management noted that such loans were generally credit card and automobile loans for which the revenue size of the business is not considered in the credit decision. Moreover, such borrowers generally had GAR of \$1 million or less.

Community Development Lending

Chase's community development lending in MSA 8160 (Syracuse, NY) totaled approximately \$3.1 million. Approximately 91 percent of such lending represented new commitments since the previous examination.

Innovative and Flexible Lending Practices

As previously discussed, Chase originates mortgages under the Time of Jubilee, Syracuse Housing Programs and the Syracuse LMI Housing Program.

INVESTMENT TEST

Qualified investments in the Syracuse MSA totaled \$317 thousand.

SERVICE TEST

Retail Banking Services

Accessibility of Delivery Systems

Chase's branch network was readily accessible to all portions of the MSA 8160 assessment area. Of the 14 branches in the MSA, 3 or 21 percent were in LMI geographies. In the assessment area portion of the MSA, 27 percent of geographies are LMI and 22 percent of the population reside in LMI geographies.

Record of Opening and Closing of Branches

During the examination period, no branches were opened and one was closed. The closed branch was not in an LMI geography.

Availability and Effectiveness of Alternative Systems for Delivering Retail Banking Services

Chase operated 16 ATM locations in the assessment area portion of the MSA. Of the branches in LMI geographies, 67 percent were equipped with an ATM.

Other alternative delivery systems Chase uses are described on page BB20 in the Institution section of this report.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Branch hours and services did not vary in a way that inconvenienced certain portions of the MSA. Extended evening and Saturday hours were available at all branches in the MSA.

Community Development Services

Chase supports community development activities in the MSA through seminars, technical assistance, and special products and services. During the examination period, the bank sponsored or participated in approximately 35 seminars and workshops. Seminars focused on affordable housing and most were conducted in conjunction with community development organizations such as NHS. In addition, Chase employees provided technical assistance by serving on the boards and committees of several community development organizations. Other community development service activities are described in the Institution section of this report.

MSA 0960 (BINGHAMTON, NY)

Overall performance in the MSA was good, based on the following summary conclusions:

- The overall geographic distribution of loans across geographies of different income levels was good; however, the volume of HMDA-related loans in LMI geographies showed weaknesses.
- Overall, distribution of loans among borrowers of different income levels and businesses of different sizes was good.
- Chase delivery systems were readily accessible to the entire assessment area portion of the MSA.

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of March 31, 1999, Chase maintained 11 branches, or 15 percent of all Chase branches in the New York State assessment areas, in the assessment area portion of MSA 0960. All but one branch were located in Broome County, primarily in the city of Binghamton and the surrounding suburbs. The branches contained approximately \$248 million in deposits or 12 percent of the bank's deposits in the overall New York State assessment area.

During the examination period, Chase and its affiliates reported 171 home purchase loans and refinancings and 573 small business loans in the assessment area portion of the MSA. The loans represent approximately 5 percent and 9 percent, respectively, of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

The following demographic and economic information was obtained from publicly available sources including HUD, the U.S. Department of Commerce's Bureau of the Census, 1990, the U.S. Department of Labor, the New York State Association of Realtors, the FRBNY Research and Market Analysis Group and The Chase Manhattan Bank Economics Department. For demographic details, see Exhibit 11.

PERFORMANCE CONTEXT

Demographic Characteristics

Chase's assessment area in MSA 0960 (Binghamton, NY) includes Broome County and two townships in Tioga County. According to the 1990 Census, the assessment area portion of the MSA has a population of approximately 240 thousand with approximately 84 percent or 202 thousand in Broome County. Because of low population levels and the lack of LMI lending opportunities in Tioga County, performance in that portion of the assessment area was not considered material to the analysis of the bank's performance.

Income Characteristics

In 1997 and 1998 the HUD adjusted median family income for MSA 0960 was \$41,000 and \$41,200, respectively, lower than the overall state median family income (\$46,000). According to the 1990 Census, the median family income for the assessment area portion of the MSA is \$36,499. Based on the 1990 Census, 16 of the 60 census tracts considered for analysis, or 27 percent, are LMI tracts. All the LMI tracts are located in Broome County. The 1990 Census also indicates that 39 percent of the families residing in the assessment area portion of MSA 8160 are upper-income, 24 percent middle-income, 19 percent moderate-income and 18 percent are low-income.

Housing Characteristics

There are 98,523 housing units in the assessment area portion of MSA 8160. Of that total, 61,504 or 62 percent are owner-occupied and 30,252 or 31 percent are rental units. Within LMI tracts, however, the level of owner-occupancy is only 36 percent while rental units amount to 55 percent of all housing units. Based on the 1990 Census, the median housing value in the assessment area is \$79,453. According to the New York State Association of Realtors, current housing values in the area have declined. In 1997 the median sales price of existing single-family homes in Broome County was \$69,550, increasing to \$69,730 in 1998. These prices are slightly more than 50 percent of the state median figures. Also, the association reported that the volume of existing single-family homes sold increased somewhat between 1997 and 1998. In 1998 reported sales totaled 1,969 compared with 1,822 sales in 1997. The increase, however, is well below state levels, where sales volume increased 22 percent between 1997 and 1998.

Labor, Employment and Economic Characteristics

The economic decline in western New York impacted the Binghamton MSA less severely than other communities as the Binghamton area economy relied more on technological enterprises than manufacturing. IBM, located in Binghamton, remains the largest employer in the community. In addition, the State University of New York at Binghamton, Cornell University and Alfred University offer technological as well as educational employment. Corning Glass Company also offers job opportunities in the MSA.

Signs of recovery are evident in the Binghamton area. Employment fell 7.6 percent between 1990 and 1996, but in 1997 the number of jobs increased 2.7 percent to 113,120. Growth was more moderate in 1998 when 1,750 jobs were added. The growth resulted from increases primarily in the retail and service sectors, but even the manufacturing sector had job increases. Unemployment rates have declined in MSA 0960. The overall unemployment rate in the MSA for 1997 and 1998 was 4.2 percent and 3.9 percent, respectively, the lowest rates in western New York State.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 0960 (BINGHAMTON, NY)

LENDING TEST

Geographic Distribution of Lending

Overall, the geographic distribution of loans in the Binghamton MSA was good; however, the volume of HMDA-related loans in LMI geographies showed weaknesses, as discussed on page BB48. Unless otherwise noted, Chase's performance exceeded that of all HMDA or small business loan reporters, as applicable. For details, see Exhibits 3 and 4.

Home Purchase Loans and Refinancings

The geographic distribution of home purchase loans and refinancings was adequate. During the examination period, 7 percent of loans were in LMI geographies while 12 percent of owner-occupied housing units were in LMI geographies. No loans were reported in low-income geographies and only 12 were reported in moderate-income geographies. Chase's performance was weaker than the aggregate of all other HMDA reporters in the assessment area.

Small Business Loans

The distribution of small business loans in MSA 0960 was excellent. Thirty-two percent of loans were in LMI geographies, which contain 29 percent of the business establishments in the MSA. The level of lending in low-income geographies equaled the number of business establishments, while in moderate-income geographies, the level of loans (23 percent) was slightly greater than the number of businesses (20 percent).

Borrower Characteristics

Overall, the distribution of home purchase loans and refinancings among borrowers of different income levels was good. The distribution of loans to businesses of different sizes was excellent. Unless otherwise noted, Chase's performance equaled or exceeded the aggregate of all HMDA reporters in the assessment area. For details, see Exhibits 5 and 6.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings among borrowers of different income levels reflects good performance. For the examination period, 34 percent of loans were to LMI borrowers, while 37 percent of families in the assessment area were LMI. Lending was strongest to moderate-income borrowers with such lending (19 percent) exceeding the percentage of moderate-income families (18 percent) in the assessment area portion of the MSA. With respect to low-income borrowers, 9 percent of home purchase loans and refinancings (originated or purchased) were made to such borrowers. Low-income families represent 17 percent of families in the combined assessment areas.

The percentage of lending to low-income borrowers by the aggregate of HMDA reporters in the assessment area portion of the MSA was also lower than the percentage of low-income families. Although many moderate-income families can afford to purchase their own home, housing costs are approximately three to four times the income levels of low-income borrowers whose average annual income would not exceed \$20,600. Also, community contacts noted that the economic uncertainty in the area might prevent some lower-income families from attaining homeownership.

Lending to Small Businesses

Chase's record of lending to businesses of different sizes was excellent in MSA 0160. Of all small business loans, 92 percent were for amounts of \$100 thousand or less. The average size of such loans was \$30,309, an amount that would meet the credit needs of smaller businesses.

During the examination period, 68 percent of Chase's small business loans in the MSA were to businesses with GAR of \$1 million or less. In the MSA, the revenue size of the business was not considered for 9 percent of all small business loans reported. Management noted that such loans were generally credit card and automobile loans for which the revenue size of the business is not considered in the credit decision. Moreover, such borrowers generally had GAR of \$1 million or less.

Community Development Lending

There was no community development lending in MSA 0960 (Binghamton, NY).

Innovative and Flexible Lending Practices

There are no innovative and flexible lending practices unique to the assessment area.

INVESTMENT TEST

Qualified investments in the Binghamton MSA totaled \$202 thousand.

SERVICE TEST

Retail Banking Services

Accessibility of Delivery Systems

Chase's branch network was readily accessible to all portions of the MSA 0960 assessment area. Of the 11 branches in the MSA, 6 or 55 percent were in LMI geographies. In the assessment area portion of the MSA, 30 percent of geographies are LMI and 18 percent of the population resides in LMI geographies.

Record of Opening and Closing of Branches

During the examination period, no branches were opened or closed.

Availability and Effectiveness of Alternative Systems for Delivering Retail Banking Services

Chase operated nine ATM locations in the assessment area portion of the MSA. Of the branches in LMI geographies, 67 percent were equipped with an ATM.

Chase's other alternative delivery systems are discussed in the Institution section of this report.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Branch hours and services did not vary in a way that inconvenienced certain portions of the MSA. Extended evening and Saturday hours were available at all but one branch in the MSA.

Community Development Services

Chase supports community development activities in MSA 0960 (Binghamton, NY) through seminars and special products and services. During the examination period, the bank sponsored or participated in several seminars and workshops, most focusing on affordable housing. Other community development service activities are described in the Institution section.

For the remaining New York State MSAs which follow, information on the geographic distribution of loans, the distribution of loans among borrowers of different income levels and businesses of different sizes, and the accessibility of the bank's branches in the MSAs can be found in the exhibits portion of this report. Also, Exhibit 7 details community development lending, and Exhibit 9 details qualified investments in the MSAs.

MSA 2335 (ELMIRA, NY)

Performance in the MSA is generally inconsistent with the bank's overall performance. The geographic distribution of HMDA-related and small business loans as well as lending to small businesses were weaker than the bank's overall performance in the New York State assessment

areas. Such performance, however, is consistent with the bank's business focus in the assessment area. Chase does not operate retail branches in this MSA. It maintains one middle-market office that directs its services to businesses with GAR of \$3 million or more and to government entities.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Chase operates one middle-market office in MSA 2335. The operation focuses on corporate and municipal entities and does not offer retail banking services to the general public. During the examination period, Chase and its affiliates reported 25 home purchase loans and refinancings and 39 small business loans in the Elmira MSA. The loans represent less than 1 percent of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

MSA 2335 includes all of Chemung County. According to the 1990 Census, the total population is 95,195 or about 3 percent of the total population in the bank's combined New York State assessment area. Five of the 22 census tracts used for analysis, or 23 percent, are LMI. The HUD adjusted median family income for the MSA was \$38,800 in 1997 and \$40,100 in 1998.

MSA 8680 (UTICA-ROME, NY)

Performance in this MSA is generally consistent with the bank's overall performance except in lending to small businesses. The level of loans for \$100 thousand or less and to businesses with GAR of \$1 million or less was inconsistent with the bank's overall performance. Such performance, however, is consistent with the bank's business focus in the assessment area. Chase does not operate retail branches in this MSA, instead maintaining one middle-market office emphasizing services to businesses with GAR of \$3 million or more and to government entities.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Chase operates one middle-market office in MSA 8680 which focuses on corporate and municipal entities and does not offer retail-banking services to the general public. During the examination period, Chase and its affiliates reported 102 home purchase loans and refinancings and 70 small business loans in the Elmira MSA. The loans represent 3 percent and 1 percent, respectively, of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

The bank's assessment area in MSA 8680 includes Oneida County only. According to the 1990 Census, the total population in the assessment area portion of the MSA is 250,836 or about 7 percent of the total population in the bank's New York State assessment area. Of the 79

census tracts used for analysis, 21 tracts or 27 percent are LMI. The HUD adjusted median family income for the MSA was \$37,200 in 1997 and \$37,700 in 1998.

MSA 3610 (JAMESTOWN, NY)

Performance in this MSA is generally consistent with the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of March 31, 1999, Chase maintained eight branches, or 11 percent of all Chase branches in its New York State assessment area, in MSA 3610. The branches contained approximately \$156 million in deposits or 8 percent of the bank's deposits in the overall New York State assessment area.

During the examination period, Chase and its affiliates reported 131 home purchase loans and refinancings and 471 small business loans in the Jamestown MSA. The loans represent approximately 4 percent and 8 percent, respectively, of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

The bank's assessment area includes all of the MSA. According to the 1990 Census, the total population in the MSA is 141,895 or about 4 percent of the total population in the bank's New York State assessment area. Five of the 33 census tracts used for analysis, or 15 percent, are LMI. The HUD adjusted median family income for the MSA was \$36,000 in 1997 and \$36,300 in 1998, the lowest in the bank's New York State assessment area. Unemployment rates in the Jamestown MSA are the highest in the bank's New York State assessment area. In 1997 and 1998, unemployment rates were 5.7 percent and 5.2 percent, respectively.

MSA 0160 (ALBANY-SCHENECTADY-TROY, NY)

Performance in this MSA is generally consistent with the bank's overall performance except in the level of loans for \$100 thousand or less and loans to businesses with GAR of \$1 million or less. Such performance is consistent with the bank's business focus in the assessment area. Chase does not operate retail branches in this MSA. It maintains one middle-market office that emphasizes services to businesses with GAR of \$3 million or more and to government entities.

DESCRIPTION OF INSTITUTION'S OPERATIONS

Chase's single middle-market office in MSA 0160 (Albany-Schenectady-Troy, NY) focuses on corporate and municipal entities and does not offer retail-banking services to the general public. During the examination period, Chase and its affiliates reported 226 home purchase loans and

refinancings and 534 small business loans in the MSA. The loans represent 7 percent and 9 percent, respectively, of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

The bank's assessment area in MSA 0160 includes portions of Albany, Schenectady, Rensselaer and Saratoga Counties. According to the 1990 Census, the total population in the assessment area portion of the MSA is 651,443, or about 17 percent of the total population in the bank's New York State assessment area. Of the 155 census tracts used for analysis, 38 or 25 percent are LMI. The HUD adjusted median family income for the MSA was \$47,000 in 1997 and \$47,400 in 1998. Unemployment rates in MSA 0160 were the lowest in the bank's New York State assessment area. In 1997 and 1998, unemployment rates were 4.1 percent and 3.6 percent, respectively.

NON-MSA STEUBEN COUNTY

Performance in this MSA is generally consistent with the bank's overall performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS

As of March 31, 1999, Chase maintained two branches, or 3 percent of all Chase branches in its New York State assessment area, in the assessment area portion of Steuben County. The branches contained approximately \$37 million in deposits or 2 percent of the bank's deposits in the overall New York State assessment area.

During the examination period, Chase and its affiliates reported 19 home purchase loans and refinancings and 107 small business loans in the assessment area portion of Steuben County. The loans represent less than 1 percent and 2 percent, respectively, of such activity in the overall New York State assessment area.

DESCRIPTION OF THE MSA

The bank's assessment area includes only a portion of Steuben County. According to the 1990 Census, the total population in the assessment area portion of the county is approximately 37 thousand, or less than 1 percent of the total population in the bank's New York State assessment area. Of the 11 block numbering areas used for analysis, none are LMI. The HUD adjusted median family income for the non-MSA portions of New York State was \$37,100 in 1997 and \$37,700 in 1998.

UNITED STATES VIRGIN ISLANDS

CRA RATING FOR THE USVI: “SATISFACTORY.”

The lending test is rated: High Satisfactory.

The investment test is rated: High Satisfactory.

The service test is rated: High Satisfactory.

Chase’s performance in the USVI is rated “satisfactory,” based on the following summary conclusions:

LENDING TEST

- Overall lending activity showed good responsiveness to assessment area credit needs; however, small business lending volume was weak.
- Distribution of loans among the various income geographies was good.
- The distribution of loans to borrowers of different income levels was reasonable given the high housing costs in the assessment area relative to income levels.
- There was a good distribution of loans to businesses of different sizes.
- Given the limited opportunities available, the bank attained an excellent level of community development lending in the assessment area.

INVESTMENT TEST

- Although opportunities were limited, the level of qualified investments was good.

SERVICE TEST

- Chase’s branch delivery systems were readily accessible to all portions of the assessment area.
- Changes in branch locations did not adversely affect the accessibility of the bank’s delivery systems, and business hours and services did not vary in a way that inconvenienced certain portions of the assessment areas.

- Chase provided a relatively high level of community development services.

DESCRIPTION OF CHASE'S OPERATIONS IN THE USVI

As of March 31, 1999, Chase operated seven retail branches in the USVI containing \$358 million in deposits, which is less than 1 percent of the bank's total branch deposits. On July 1, 1999, management announced the intended sale of its USVI offices to the Virgin Islands Community Bank. The transaction is pending regulatory approval. Chase is one of the three primary financial institutions operating in the USVI; the others are Banco Popular and the Bank of Nova Scotia.

Chase's previous CRA examination was conducted as of March 10, 1997, at which time the bank's activity in the USVI was rated satisfactory. There are no legal or financial impediments that would affect the bank's ability to meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREAS

Chase has designated the islands of St. Thomas (including Water Island), St. Croix, and St. John as its assessment areas for the USVI. The bank's delineation meets the requirements of 12 CFR 228.41 of Regulation BB and does not arbitrarily exclude LMI geographies. The bank's USVI assessment areas did not change since the previous examination.

PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources, including the Office of Insular Affairs ("OIA") of the U.S. Department of the Interior, the U.S. Department of Commerce Bureau of the Census, 1990, the U.S. Department of Housing and Urban Development ("HUD"), the USVI Bureau of Economic Research, and the USVI Government Development Bank.

Demographic Characteristics

According to the 1990 Census, the total population of the USVI is approximately 100 thousand, which is less than 1 percent of the total population residing in the assessment areas under evaluation at this examination. The population is evenly divided between St. Thomas and St. Croix. The population of St. John is only about 3,500 since most of the island has been dedicated as a national park. Because of very low population and housing levels, as well as the absence of LMI geographies, activity in St. John was not material to the bank's overall performance in the USVI.

Income Characteristics

Based on the 1990 Census, the overall median family income for the USVI is \$24,036. Higher income levels are found in St. John and St. Thomas, where the median family incomes are \$31,277 and \$26,661, respectively. In St. Croix, income levels are lower, with a median family

income of \$20,835. The 1997 HUD adjusted median family income is \$36,300 for both St. Thomas and St. John, and \$27,700 for St. Croix. In 1998 the levels reached \$39,900 for St. Thomas and St. John and \$30,200 for St. Croix.

Of the 33 block numbering areas (“BNAs”) used in the analysis, 8, or 24 percent, are LMI. Seven of the LMI BNAs are located in St. Croix and one in St. Thomas.

Housing Characteristics

According to the 1990 Census, there are 39,290 housing units in the USVI assessment areas, of which 14,272, or 36 percent, are owner-occupied. Approximately 45 percent of housing units, or 17,748, are renter-occupied, and 19 percent, or 7,270 units, are vacant. Vacant housing units generally refer to vacation homes that are not occupied year-round. Many rental units are apartments that are part of private homes. Public housing represents about 5,000 rental units.

High housing costs and low income levels have resulted in the low level of owner-occupancy in the USVI. According to the USVI Bureau of Economic Research, in 1998 the median housing price in St. Thomas was \$183 thousand, in St. Croix \$140 thousand and in St. John \$275 thousand. Comparing these costs with median income levels shows that owner-occupied housing is generally beyond the reach of LMI families. In order to provide such opportunities, the Virgin Islands Housing Finance Authority (“VIHFA”) administers a program that uses HUD funds to subsidize the cost of the home and the down payment. About 85 units were built in 1997, mostly in St. Croix where land costs are lower. The VIHFA has established income limits based on family size for qualified LMI buyers. The agency has also initiated a rental conversion program whereby existing rental housing units are converted to owner-occupancy.

According to community contacts, more lenders are needed to provide mortgage products with reduced down payments and interest rates. There is also a need for home improvement loans to repair deteriorated housing and expand housing units to include rental space. In the USVI, these needs are usually financed through refinancings.

Labor, Employment and Economic Characteristics

Tourism is primary to the economy of the USVI, particularly in St. John. St. Croix, however, also has manufacturing job opportunities. Hurricane Marilyn in 1995 and Hurricane Bertha in 1996 caused a sharp decline in the tourist trade, negatively impacting service and retail jobs. This was somewhat offset by an increase in construction employment from the rebuilding of housing, offices, and infrastructure. The unemployment rate for the USVI overall was 4.9 percent in 1997 and increased to 5.2 percent in 1998.

Community contacts spoke of a need for increased small business lending, especially small dollar amount loans for the start-up and operation of home-based industries. Banks reportedly also need to provide financial information and education on buying and building a home. There is a lack of first-time home buyer programs offering reduced down payments and interest rates to qualified borrowers. Community contacts also identified a need for loans to rehabilitate one-to four-family houses as well as more aggressive construction lending by banks.

SCOPE OF EXAMINATION

The evaluation of Chase's CRA performance covered the period January 1, 1997, through December 31, 1998. Loan products evaluated included home purchase loans and refinancings (which were evaluated together), and small business loans. Other loans that qualified as community development loans and originated between April 1, 1997, and March 31, 1999, also were evaluated. In addition, bank investments, grants, and qualified community development services were included in the examination.

Bank management supplied data for mortgage, home improvement, and small business loans. Reporting requirements for mortgage loans under Regulation C-HMDA are not applicable with respect to dwellings in U.S. territories.

For the evaluation of the geographic distribution of loans, geographies were classified on the basis of 1990 Census Bureau data. Distribution of loans to borrowers of different income levels was determined based on 1997 and 1998 HUD adjusted median family income data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE USVI

LENDING TEST

Lending Activity

Lending activity in the USVI reflects a good response to assessment area credit needs, but weakness was noted in small business lending. During the examination period, 506 loans totaling \$68.3 million were originated, consisting of 400 housing-related loans and 106 small business loans. Approximately 80 percent of housing loans and 56 percent of small business loans were in St. Thomas, the largest such concentrations in the USVI assessment areas. Lending activity in the USVI represents less than 1 percent of the bank's total lending activity evaluated at this examination.

The volume of housing-related loans declined from 1996 levels; however, special programs related to hurricane damage repair and discontinued in the first quarter of 1997 had inflated such activity. Lending during this examination period more accurately reflects the bank's normal performance. Small business loans increased from 1996 to 1997 because of better reporting procedures and the discontinuation of the direct SBA lending that took place during hurricane recovery in 1995-96. Volume reached only 50 loans, however. In 1998, only 56 small business loans were originated. Such activity is inconsistent with other large bank lenders operating in the assessment areas.

Geographic Distribution of Lending

Overall, the analysis demonstrates good activity among the various income geographies in the bank's assessment areas. For details, see Exhibits 3 and 4.

Home Purchase Loans and Refinancings

Home purchase and refinance lending was excellent, based primarily on activity in St. Croix. Minimal opportunities for lending in LMI geographies are available on the other islands. Overall, 16 percent of owner-occupied housing units are located in LMI geographies and 16 percent of housing-related loans were originated in LMI geographies.

Small Business Loans

Chase's small business loans were adequately distributed among the various income geographies. Overall, 15 percent of small business loans were in LMI geographies, while 24 percent of geographies are considered LMI.

Borrower Characteristics

The distribution of loans among borrowers of different income levels and businesses of different sizes was good, given the income levels of borrowers and housing costs in the USVI. For details, see Exhibits 5 and 6.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings among borrowers of different income levels reflects an acceptable distribution, given the high housing costs and low income levels of borrowers in the USVI. For the examination period, 8 percent of loan originations were to LMI borrowers.

This level of lending to LMI borrowers apparently results from the significant gap between housing costs and income levels of borrowers, which generally precludes LMI borrowers from the housing market. Based on the housing prices for the three islands discussed on page BB80, the average median housing price for the USVI would be \$199 thousand. LMI families in the USVI, whose income level averages \$25,600 or less, would generally be unable to finance the purchase of a home in this market. Furthermore, the high cost of hazard insurance significantly adds to the monthly mortgage loan payment.

Lending to Small Businesses

The bank's record of lending to businesses of different sizes in the USVI assessment areas was good. During the examination period, 65 percent of the bank's small business loans were for amounts of \$100 thousand or less. The average size of such loans was approximately \$41 thousand, an amount that would meet the credit needs of small businesses. Also, of all small business loans in the assessment areas, 47 percent of loans were to businesses with GAR of \$1 million or less.

Community Development Lending

Chase's community development lending in the USVI was outstanding given the limited opportunities available in the assessment areas. During the examination period, community development loan commitments totaled \$11 million, or less than 2 percent of Chase's total community development lending in the bank's combined assessment areas. Activity consisted of two loans, both of which were new commitments since the previous examination. One loan for economic development purposes benefited the entire USVI assessment area, and the other helped to revitalize and stabilize the port area of St. Croix.

Community development lending opportunities are limited in the USVI since the government conducts most community development activity. Most current activity was related to hurricane recovery assistance.

Innovative and Flexible Lending Practices

Chase made use of innovative and flexible lending practices to address the credit needs of the USVI assessment areas. The bank offers special mortgage products in conjunction with the VIHFA's affordable housing programs where the application fee is waived and the interest rate is reduced by .25 percent. Flexible underwriting criteria is applicable, and 100 percent financing of the acquisition and closing costs is available to qualified applicants. The bank also offers a "95 percent LTV Mortgage" and an "As Is" mortgage product. The "As Is" product, which was discontinued in the first quarter of 1997, was designed to facilitate the purchase of homes in need of rehabilitation and required substantially less documentation than agency purchase/rehabilitation products.

In addition, the bank makes available in the USVI the flexible lending and underwriting criteria offered by the FHA, VA, Rural Development (formally the Farmers Home Administration, "FmHA") and SBA. Such mortgage programs generally allow for expanded debt-to-income ratios and down payment flexibility sometimes up to 100 percent.

INVESTMENT TEST

Chase's performance under the investment test is rated high satisfactory, given the limited availability of qualified investments in the USVI. During the examination period, the bank had qualified investments totaling \$124 thousand, or less than 1 percent of the bank's total qualified investments in its combined assessment areas. Approximately 80 percent of investments were grants and contributions to various community development and charitable organizations engaged in community development activity.

Of qualified investments, 55 percent were directed toward community services, 36 percent toward economic development and 9 percent for revitalization and stabilization. About 40 percent of investments benefited St. Croix, and 37 percent benefited the combined USVI assessment area, and 23 percent were directed toward St. Thomas.

SERVICE TEST

Chase's performance under the service test is rated high satisfactory based on the bank's delivery of retail banking and community development services.

Retail Banking Services

Accessibility of Delivery Systems

Chase's delivery systems were readily accessible to all portions of the USVI assessment area. Of seven branches, two or 29 percent were located in LMI BNAs. This compares favorably with the demographics, where 24 percent of BNAs are LMI and 29 percent of the population resides in LMI BNAs.

Opening and Closing of Branches

No branches were opened or closed in the USVI during the examination period.

Availability and Effectiveness of Alternative Systems for Delivering Retail Services

During the examination period, Chase operated 11 ATM locations in the USVI, 5 of which were located outside of branches. Of the six branches with ATMs, two or 33 percent were LMI branches. Also, during the examination period, Chase was unable to renegotiate an acceptable lease at five remote supermarket ATM locations that were subsequently closed. Three locations were in St. Thomas and two in St. Croix.

Other alternative delivery systems in the USVI include telephone banking ("Chase Telebanker") and Loan-By-Phone whereby customers can obtain general information about the bank's various products and services, as well as obtain account balances, transfer between accounts and apply for credit.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Chase's business hours and services did not vary in a way that inconvenienced any portion of the assessment area. Extended weekday hours were available at 71 percent of branches in the USVI. The bank offers a full range of deposit and credit services and products at all branches.

Community Development Services

Chase provides a relatively high level of community development services, which generally benefit the entire USVI assessment area. Community development activities included seminars and technical assistance. During the examination period, Chase sponsored or participated in six affordable housing seminars, six small business seminars and workshops, and four personal finance seminars. Many of the affordable housing seminars were held in conjunction with the VIHFA. Technical assistance was provided to several nonprofit organizations involved in affordable housing and small business development. In addition, Chase provides free cashing of government checks. These activities generally benefit the entire USVI assessment area.

NON-METROPOLITAN AREAS (USVI)

ST. THOMAS

Overall performance in St. Thomas was good, based on the following summary conclusions:

- The geographic distribution of loans was good, based on the limited number of LMI lending opportunities.
- Distribution of loans among borrowers of different income levels and businesses of different sizes was good.
- Branches were readily accessible to all portions of the assessment area.

DESCRIPTION OF THE INSTITUTION'S OPERATIONS

As of March 31, 1999, Chase maintained four of its seven USVI branches in this assessment area. The branches contain approximately \$248 million in deposits, which represent 69 percent of the bank's total deposits in the USVI.

During the examination period, Chase originated 223 home purchase loans and refinancings as well as 84 small business loans in St. Thomas. These loans represent approximately 56 percent and 79 percent, respectively, of all such loans originated in the USVI assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources that include the OIA of the U.S. Department of the Interior, the U.S. Department of Commerce Bureau of the Census, 1990, HUD, the USVI Bureau of Economic Research, and the USVI Government Development Bank.

PERFORMANCE CONTEXT

Demographic Characteristics

According to the 1990 Census, St. Thomas has a population of approximately 48 thousand, about one half of the total population in the bank's USVI assessment areas.

Income Characteristics

According to the 1990 Census, the median family income in St. Thomas is \$26,661, which is somewhat higher than the USVI median family income of \$24,034. The 1997 and 1998 HUD adjusted family income for St. Thomas was \$36,300 and \$39,900, respectively. Of the 15 BNAs used in this analysis, 1 BNA, or 7 percent, is LMI.

Housing Characteristics

Based on the 1990 Census, of the 18,433 housing units in St. Thomas, 6,397, or 35 percent, are owner-occupied while 9,248, or 50 percent, are rental units. The biggest obstacle to home-ownership is the high cost of housing in relation to income as discussed in the Performance Context for the USVI beginning on page BB79. Only 280 owner-occupied housing units are located in LMI geographies.

Labor, Employment and Economic Characteristics

Tourism dominates the economy of St. Thomas, which has more than twice the number of hotel rooms as St. Croix. The territorial government also provides a large number of jobs. The 1998 unemployment rate for St. Thomas is 4.9 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. THOMAS

LENDING TEST

Geographic Distribution of Lending

The geographic distribution of loans is good, given the limited opportunities available in LMI geographies.

Home Purchase Loans and Refinancings

St. Thomas has no low-income geographies and only one moderate-income geography, containing just 280 owner-occupied housing units. Chase made four loans in the moderate-income geography.

Small Business Loans

Chase originated 15 percent of its small business loans in the moderate-income geography of St. Thomas.

Borrower Characteristics

The distribution of home purchase loans and refinancings among borrowers of different income levels was acceptable, given high housing costs on the island. The distribution of loans to businesses of different sizes was good.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings among borrowers of different income levels reflects an acceptable distribution, given the high housing costs and low income levels of borrowers in St. Thomas. For the examination period, 4 percent of loan originations in St. Thomas were to LMI borrowers.

The level of lending to LMI borrowers apparently results from the significant gap between housing costs and borrower income levels, which generally precludes LMI borrowers from the housing market. As previously noted, the median housing price in St. Thomas is \$183 thousand. LMI families, whose income level would be \$29 thousand or less, would generally be unable to finance the purchase of a home in this market. Because of higher land costs in St. Thomas, the government conducts most of its affordable housing activity in St. Croix, which also reduces LMI housing opportunities in St. Thomas.

Lending to Small Businesses

The bank's record of lending to businesses of different sizes was good. Of all small business loans originated in St. Thomas, 62 percent were for loans of \$100 thousand or less. In addition, Chase originated 41 percent of its loans to businesses with GAR of \$1 million or less.

Community Development Loans

As previously discussed, community development lending activity was not specifically directed to St. Thomas. More than 50 percent of total community development lending (\$11 million) in the USVI assisted the combined assessment areas.

Innovative and Flexible Lending Practices

There are no special innovative and flexible lending programs specific to St. Thomas.

INVESTMENT TEST

Qualified investments for organizations headquartered in St. Thomas totaled approximately \$28 thousand.

SERVICE TEST

Retail Banking Services

Accessibility of Delivery Systems

Chase's delivery systems were readily accessible to all portions of the island of St. Thomas. Of four branches, one or 25 percent was located in the island's moderate-income BNA. This compares favorably with the demographics of St. Thomas where 13 percent of BNAs are moderate-income and 10 percent of the population resides in the moderate-income BNA.

Opening and Closing of Branches

No branches were opened or closed in St. Thomas during the examination period.

Availability and Effectiveness of Alternative Systems for Delivering Retail Services

During the examination period, seven ATM locations were in operation in St. Thomas, four of which were off-site. Of the three branches with ATMs, one (20 percent) was an LMI branch.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Chase's business hours and services did not vary in a way that inconvenienced portions of St. Thomas. Extended weekday hours were available at 25 percent of branches in St. Thomas.

Community Development Services

As previously discussed, community development services benefit the whole USVI assessment area.

ST. CROIX

Overall performance in St. Croix was excellent based on the following summary conclusions:

- The geographic distribution of loans reflected excellent loan penetration throughout the assessment area.
- There was an excellent distribution of loans among borrowers of different income levels and businesses of different sizes.
- Chase's delivery systems were readily accessible to all portions of the bank's assessment area.

DESCRIPTION OF THE INSTITUTION'S OPERATIONS

As of March 31, 1999, Chase maintained two retail branches in this assessment area. The branches contain approximately \$80 million in deposits, representing 22 percent of the bank's USVI deposits.

During the examination period, the bank originated 132 home purchase loans and refinancings as well as 15 small business loans in St. Croix. This activity represents approximately 33 percent and 14 percent, respectively, of all such loans originated in the USVI assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources, including the OIA of the U.S. Department of the Interior, the U.S. Department of Commerce Bureau of the Census, 1990, HUD, the USVI Bureau of Economic Research, and the USVI Government Development Bank.

Demographic Characteristics

According to the 1990 Census, St. Croix has a population of approximately 50 thousand, about half of the total population in the USVI assessment areas.

Income Characteristics

According to the 1990 Census, the median family income in St. Croix is \$20,835, somewhat lower than the USVI median family income of \$24,034. The HUD adjusted median family income for St. Croix was \$27,700 in 1997 and \$30,200 in 1998. Of the 17 BNAs in St. Croix used for analysis, 7 or 41 percent, are LMI.

Housing Characteristics

According to the 1990 Census, of the 18,937 housing units in St. Croix, 7,271 or 38 percent are owner-occupied while 7,774 or 41 percent are rental units. The biggest obstacle to homeownership is the high cost of housing relative to borrower income levels, as discussed in the Performance Context for the USVI assessment areas beginning on page BB79.

Labor, Employment and Economic Characteristics

As in St. Thomas, the major industry in St. Croix is tourism, but St. Croix also has a sizable number of manufacturing jobs. Hess Oil operates one of the world's largest refineries in St. Croix and is the largest single employer on the island. Another large employer, the Vialco aluminum processing plant, closed in 1997. Many workers have remained unemployed since then, resulting in a higher jobless rate in St. Croix than in St. Thomas. In 1998, the unemployment rate in St. Croix was 5.6 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. CROIX

LENDING TEST

Geographic Distribution of Lending

The geographic distribution of loans was excellent in St. Croix.

Home Purchase Loans and Refinancings

In St. Croix, Chase's record of providing home purchase loans and refinancings in LMI geographies was excellent. Of originations in St. Croix, 45 percent were in LMI geographies, while 28 percent of owner-occupied housing units are located in LMI geographies. This performance is the result of the bank's participation in the VIHFA's affordable housing programs.

Small Business Loans

In St. Croix, Chase originated 38 percent of its small business loans in moderate-income geographies. Moderate-income geographies represent 41 percent of the geographies in St. Croix.

Borrower Characteristics

The distribution of loans among borrowers of different income levels and to businesses of different sizes was excellent.

Home Purchase Loans and Refinancings

The distribution of home purchase loans and refinancings among borrowers of different income levels reflects an excellent distribution, given the high housing costs and low income levels of borrowers in St. Croix. For the examination period, 24 percent of loan originations in St. Croix were to LMI borrowers. This performance is the direct result of Chase's participation in the VIHFA's affordable housing programs that provides subsidies to reduce the cost of housing. Without such subsidies, the gap between housing costs and borrower income levels generally precludes LMI borrowers from the housing market.

Lending to Small Businesses

The bank's record of lending to businesses of different sizes was good. Of all small business loans originated in St. Croix, 74 percent were for loans of \$100 thousand or less. In addition, Chase originated 58 percent of its loans to businesses with GAR of \$1 million or less.

Community Development Loans

As previously discussed, more than 50 percent of total community development lending (\$11 million) in the USVI assisted the entire assessment area. The remaining activity helped St. Croix revitalize and stabilize the port area.

Innovative and Flexible Lending Practices

There are no special innovative and flexible lending programs specific to St. Croix.

INVESTMENT TEST

Qualified investments for organizations headquartered in St. Croix totaled approximately \$50 thousand.

SERVICE TEST

Retail Banking Services

Accessibility of Delivery Systems

Chase's delivery systems were readily accessible to all portions of the island of St. Croix. Of the two branches on the island, one was located in an LMI BNA. This compares favorably with the demographics of St. Croix where 47 percent of BNAs are LMI and 50 percent of the population reside in LMI BNAs.

Opening and Closing of Branches

There were no branches opened or closed in St. Croix during the examination period.

Availability and Effectiveness of Alternative Systems for Delivering Retail Services

During the examination period, the bank operated three ATM locations in St. Croix, one of which was off-site. One of the two branches with ATMs is in an LMI BNA.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Chase's business hours and services did not vary in a way that inconvenienced portions of St. Croix. Extended weekday hours were available at one of the St. Croix branches.

Community Development Services

As previously discussed, community development services benefit the islands of the USVI.

ST. JOHN

Lending activity in St. John was consistent with lending opportunities; however, it was not sufficient enough to form conclusions about the bank's performance.

DESCRIPTION OF THE INSTITUTION'S OPERATIONS

As of March 31, 1999, Chase maintained one retail branch in this assessment area. The branch contains approximately \$30 million in deposits, which represents 9 percent of the bank's USVI deposits.

During the examination period, the bank originated 45 home purchase loans and refinancings as well as 5 small business loans in St. John. This activity represents approximately 11 percent and 5 percent, respectively, of all such loans originated in the USVI assessment areas.

DESCRIPTION OF THE ASSESSMENT AREA

The following demographic and economic information was obtained from publicly available sources including the OIA of the U.S. Department of the Interior, the U.S. Department of Commerce Bureau of the Census, 1990, HUD, the USVI Bureau of Economic Research, and the USVI Government Development Bank.

Demographic Characteristics

According to the 1990 Census, St. John has a population of approximately 3,500. Population levels are limited because two-thirds of the island is a national park.

Income Characteristics

According to the 1990 Census, the median family income in St. John is \$31,277, higher than the USVI median family income of \$24,034. The 1997 and 1998 HUD adjusted median family income for St. John was \$36,300 and \$39,900, respectively. St. John has no LMI geographies.

Housing Characteristics

According to the 1990 Census, St. John has 1,920 housing units, of which 604, or 31 percent, are owner-occupied; 726, or 38 percent, are renter-occupied; and, 590, or 31 percent, are vacant. Vacant units generally are vacation homes unoccupied for most of the year.

The biggest obstacle to homeownership is the high cost of housing in relation to borrower income, as discussed in the Performance Context for the USVI assessment areas beginning on page BB79.

Labor, Employment and Economic Characteristics

St. John's economy is based entirely on tourism. Following Hurricanes Bertha and Marilyn, both of the island's hotels closed, causing retail stores and restaurants to struggle. One hotel reopened in the fall of 1996, while the other became embroiled in a takeover dispute and remained closed until 1997. Unemployment rates for St. John alone are unavailable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ST. JOHN

LENDING TEST

Geographic Distribution of Lending

The geographic distribution of loans in St. John is not material to the bank's overall performance in the USVI since the island has no LMI geographies. During the examination period, 45 housing-related loans and 5 small business loans were originated in St. John.

Borrower Characteristics

As with geographic distribution, activity in St. John is not material to the overall conclusions relative to Chase's performance in the USVI. The population is only 3,500, and there are no LMI geographies. Median housing costs are \$275 thousand and LMI families earn \$29 thousand or less; therefore, those families would be unable to purchase a home in this housing market.

Four of the five small business loans in St. John were for amounts of \$100 thousand or less and all were to businesses with GAR of \$1 million or less.

Community Development Loans

As previously discussed, community development lending activity, which totaled \$11 million, did not specifically assist St. John.

Innovative and Flexible Lending Practices

There are no special innovative and flexible lending programs specific to St. Croix.

INVESTMENT TEST

As previously discussed, there were no qualified investments that specifically assisted St. John.

SERVICE TEST

Retail Banking Services

Accessibility of Delivery Systems

Chase's delivery systems were readily accessible to all portions of the island of St. John. Chase maintains one office in St. John and no off-site ATMs.

Opening and Closing of Branches

No branches were opened or closed in St. John during the examination period.

Availability and Effectiveness of Alternative Systems for Delivering Retail Services

During the examination period, two ATM locations were in operation in St. John; one was located in the branch and one in a local convenience store.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Chase's business hours and services are tailored to the convenience and needs of the customers in St. John. The branch had extended weekday hours.

Community Development Services

As previously discussed, community development services benefit the entire USVI assessment area.

EXHIBITS

EXHIBIT 1

Total Loan Originations and Purchases

Chase Manhattan Bank and Affiliates
 January 1, 1997 – December 31, 1998

Loan Type	#	%	\$('000s)	%
HMDA Home Purchase and Refinancings	67,488		\$10,742,145	
HMDA Home Improvement	89		885	
HMDA Multifamily	55		357,000	
Total HMDA	67,632	44	\$11,082,598	68
Total Small Business	87,571	56	\$5,196,238	32
TOTALS	155,203	100	\$16,278,836	100

EXHIBIT 2

Originations and Purchases Inside and Outside the Assessment Area

Chase Manhattan Bank
 January 1, 1997 – December 31, 1998

Loan Type	INSIDE		OUTSIDE	
	#	\$('000s)	#	\$('000s)
HMDA Home Purchase and Refinancings	28,533 (66%)	\$5,033,985 (74%)	14,996 (34%)	\$1,737,000 (26%)
HMDA Home Improvement	89 (100%)	\$885 (100%)	0 0	0 0
HMDA Multifamily	6 (11%)	\$51,640 (15%)	49 (89%)	\$305,358 (85%)
Total HMDA	28,628 (66%)	\$5,086,510 (71%)	15,045 (34%)	\$2,042,358 (29%)
Total Small Business	59,845 (75%)	\$4,461,178 (87%)	19,498 (25%)	\$637,814 (13%)
TOTALS	88,473 (72%)	\$9,547,688 (78%)	34,543 (28%)	\$2,680,172 (22%)

**Exhibit 3 – Analysis of Home Purchase Loans and Refinancings Across Census
Tract Income Levels**

Exhibit 3 –

CONTINUED

Analysis of Home Purchase Loans and Refinancings Across Census Tract Income Levels

Exhibit 4 -- Analysis of Small Business Loans Across Census Tract Income Levels

**Exhibit 5 - Analysis of Home Purchase Loans and Refinancings Across Borrower
Income Levels**

Exhibit 6 – Analysis of Small Business Loans by Loan Size and gross Annual Revenues

Exhibit 6 – CONTINUED

Distribution of Small Business Loans by Loan Size and gross Annual Revenues

EXHIBIT 7

Summary of Community Development Lending

Assessment Area	Commitment ('000s)	%	Outstanding ('000s)	%	New Money ('000s)	%	Housing Units
PMSA 5600 (New York, NY)	\$452,252	74%	\$127,704	69%	\$386,201	82%	2,245
PMSA 5380 (Nassau-Suffolk, NY)	\$19,876	3%	\$4,798	2%	\$18,510	4%	500
PMSA 5660 (Newburgh, NY)	\$0	0%	\$0	0%	\$0	0%	0
NY Statewide	\$47,781	8%	\$15,283	8%	\$0	0%	0
NY CMSA 5602 Subtotal	\$519,909	85%	\$159,783	79%	\$404,711	85%	2,745
PMSA 5640 (Newark, NJ)	\$24,947	4%	\$14,830	7%	\$15,781	3%	689
PMSA 0875 (Bergen-Passaic, NJ)	\$779	0%	\$500	0%	\$779	0%	0
PMSA 3640 (Jersey City, NJ)	\$0	0%	\$0	0%	\$0	0%	0
NJ Statewide	\$5,000	1%	\$0	0%	\$5,000	1%	0
NJ CMSA 5602 Subtotal	\$30,726	5%	\$15,330	8%	\$21,560	5%	689
PMSA 1160 (Bridgeport, CT)	\$9,055	1%	\$3,553	2%	\$7,855	2%	257
PMSA 1930 (Danbury, CT)	\$0	0%	\$0	0%	\$0	0%	0
PMSA 5480 (New Haven-Meriden, CT)	\$3,375	1%	\$2,530	1%	\$900	0%	216
PMSA 8040 (Stamford-Norwalk, CT)	\$757	0%	\$687	0%	\$260	0%	14
PMSA 8880 (Waterbury, CT)	\$0	0%	\$0	0%	\$0	0%	0
CT Statewide	\$8,000	1%	\$3,000	1%	\$3,000	1%	0
CT CMSA 5602 Subtotal	\$21,187	3%	\$9,770	5%	\$12,015	3%	487
CMSA 5602 Total	\$571,822	93%	\$184,884	92%	\$438,286	93%	3,921
Assessment Area	3,186	1%	\$0	0%	\$0	0%	0
MSA 1280 (Buffalo-Niagara Falls, NY)	\$2,390	0%	\$2,166	1%	\$2,390	1%	1
MSA 6840 (Rochester, NY)	\$13,488	2%	\$8,953	4%	\$12,988	3%	0
MSA 8160 (Syracuse, NY)	\$3,145	1%	\$2,401	1%	\$2,869	1%	24
MSA 0960 (Binghamton, NY)	\$0	0%	\$0	0%	\$0	0%	0
MSA 0160 (Albany-Schenectady-Troy, NY)	\$2,939	0%	\$1,370	1%	\$525	0%	0
MSA 2335 (Elmira, NY)	\$925	0%	\$0	0%	\$925	0%	0
MSA 3610 (Jamestown, NY)	\$4,315	1%	\$1,484	1%	\$4,315	1%	57
MSA 8680 (Utica-Rome, NY)	\$0	0%	\$0	0%	\$0	0%	0
NON-MSA	\$150	0%	\$0	0%	\$150	0%	0
NY Assessment Area Total	\$30,552	5%	\$16,374	8%	\$24,162	5%	82
USVI Total	\$11,000	2%	\$0	0%	\$11,000	2%	0
TOTALS	\$613,374	100%	\$201,257	100%	\$473,448	100%	4,003
Direct Activity	\$506,124	83%	\$160,191	80%	\$451,933	95%	3,989
Indirect Activity	\$107,250	17%	\$41,066	20%	\$21,515	5%	14
TOTAL ACTIVITY	\$613,374	100%	\$201,257	100%	\$473,448	100%	4,003
Affordable Housing	\$286,504	47%	\$108,422	54%	\$177,872	38%	4,003
Community Service	\$88,471	14%	\$31,177	15%	\$81,331	17%	0
Economic Development	\$39,583	6%	\$12,432	6%	\$15,429	3%	0
Revitalization & Stabilization	\$198,816	33%	\$49,225	24%	\$198,816	42%	0

EXHIBIT 8

Summary of Innovative or Flexible Lending Programs

Innovative or Flexible Affordable Mortgage Loan Programs 1997 & 1998 (CMSA & New York Assessment Areas Combined)

Loan Program/Product	Originations	
	#	\$('000s)
Agency 95% Down Payment Program	941	124,937
Agency 97% Down Payment Program	107	9,858
Agency Plus Program (Risk Share 5% & 2/3% Options)	97	13,106
Agency Plus 1-2 Program	25	1,691
Portfolio Mortgage Program	153	17,079
Upstate New York Mortgage Programs	167	18,743
SONYMA – Low Down Payment Program	83	7,429
SONYMA – Low Interest Rate Program	56	4,374
SONYMA – Construction Incentive	14	1,906
ACORN Housing Program	20	2,076
ACORN Portfolio Program	11	265
Federal Housing Administration (“FHA”)/ Veterans Administration (“VA”) Loans	1,194	103,737
Rural Development Loans (formerly FmHA)	212	12,549
New Jersey Housing & Mortgage Finance Agency’s Mortgage Revenue Bond Program	31	3,002
Connecticut Housing Finance Authority Bond Program	52	4,587
TOTALS	3,163	\$325,364

Innovative or Flexible Small Business Loan Programs 1997 & 1998 (CMSA & New York Assessment Areas Combined)

Loan Program/Product	Originations	
	#	\$('000s)
CAN-DO Character Loan Program	94	4,149
Small Retailers Loan Program	49	3,195
Supermarket Loan Program	19	9,370
Small Business Administration (“SBA”) Loans	224	20,265
Regional Credit Enhancement Program Loans	27	2,908
Houses of Worship Lending Program	12	16,363
TOTALS	424	\$56,250
USVI (All Products)	90	8,000
TOTALS	3,677	389,614

EXHIBIT 9

Summary of Qualified Investment Activity

Assessment Area	Commitment ('000s)	%	Outstanding ('000s)	%	New Money ('000s)	%	Housing Units
PMSA 5600 (New York, NY)	\$36,488	10%	\$27,262	8%	\$30,329	16%	0
PMSA 5380 (Nassau-Suffolk, NY)	\$1,076	0%	\$996	0%	\$776	0%	0
PMSA 5660 (Newburgh, NY)	\$2	0%	\$2	0%	\$2	0%	0
NY Statewide	\$271,251	72%	\$244,796	73%	\$122,250	65%	0
NY CMSA 5602 Subtotal	\$308,817	82%	\$273,057	82%	\$153,358	82%	0
PMSA 5640 (Newark, NJ)	\$3,579	1%	\$3,579	1%	\$3,554	2%	0
PMSA 0875 (Bergen-Passaic, NJ)	\$208	0%	\$208	0%	\$208	0%	0
PMSA 3640 (Jersey City, NJ)	\$147	0%	\$147	0%	\$147	0%	0
NJ Statewide	\$30,367	8%	\$28,494	9%	\$17,792	9%	0
NJ CMSA 5602 Subtotal	\$34,300	9%	\$32,427	10%	\$21,700	12%	0
PMSA 1160 (Bridgeport, CT)	\$1,568	0%	\$1,568	0%	\$318	0%	0
PMSA 1930 (Danbury, CT)	\$9	0%	\$9	0%	\$9	0%	0
PMSA 5480 (New Haven-Meriden, CT)	\$406	0%	\$406	0%	\$406	0%	0
PMSA 8040 (Stamford-Norwalk, CT)	\$361	0%	\$361	0%	\$361	0%	0
PMSA 8880 (Waterbury, CT)	\$96	0%	\$96	0%	\$96	0%	0
CT Statewide	\$19,555	5%	\$16,257	5%	\$9,787	5%	0
CT CMSA 5602 Subtotal	\$21,994	6%	\$18,697	6%	\$10,976	6%	0
CMSA 5602 Total	\$365,111	97%	\$324,181	97%	\$186,034	99%	0
MSA 1280 (Buffalo-Niagara Falls, NY)	\$332	0%	\$332	0%	\$332	0%	0
MSA 6840 (Rochester, NY)	\$10,435	3%	\$7,945	2%	\$700	0%	0
MSA 8160 (Syracuse, NY)	\$317	0%	\$317	0%	\$317	0%	0
MSA 0960 (Binghamton, NY)	\$202	0%	\$147	0%	\$102	0%	0
MSA 0160 (Albany-Schenectady-Troy, NY)	\$387	0%	\$387	0%	\$367	0%	0
MSA 2335 (Elmira, NY)	\$24	0%	\$24	0%	\$24	0%	0
MSA 3610 (Jamestown, NY)	\$122	0%	\$122	0%	\$122	0%	0
MSA 8680 (Utica-Rome, NY)	\$24	0%	\$24	0%	\$24	0%	0
NY Assessment Area Total	\$11,843	3%	\$9,298	3%	\$1,988	1%	0
USVI Total	\$124	0%	\$124	0%	\$99	0%	0
TOTALS	\$377,078	100%	\$333,603	100%	\$188,121	100%	0
Direct Activity	\$52,124	14%	\$39,743	12%	\$40,021	21%	0
Indirect Activity	\$324,954	86%	\$293,861	88%	\$148,100	79%	0
TOTAL ACTIVITY	\$377,078	100%	\$333,603	100%	\$188,121	100%	0
Affordable Housing	\$343,763	91%	\$301,254	90%	\$160,935	86%	0
Community Service	\$18,335	5%	\$18,335	5%	\$18,320	10%	0
Economic Development	\$14,969	4%	\$14,004	4%	\$8,855	5%	0
Revitalization & Stabilization	\$11	0%	\$11	0%	\$11	0%	0

EXHIBIT 10			
Summary of Branch Locations			
As of March 31, 1999			
Location	# of Branches	# of LMI Branches	% of LMI Branches
CMSA ASSESSMENT AREA			
PMSA 5600 (New York, NY)	257	63	25
PMSA 5380 (Nassau-Suffolk, NY)	70	11	16
PMSA 5660 (Newburgh, NY-PA)	1	0	0
New York Subtotal	328	74	22
PMSA 5640 (Newark, NJ)	23	0	0
PMSA 0875 (Bergen-Passaic, NJ)	15	2	13
PMSA 3640 (Jersey City, NJ)	0	0	0
New Jersey Subtotal	38	2	5
PMSA 1160 (Bridgeport, CT)	16	4	25
PMSA 8040 (Stamford-Norwalk, CT)	11	3	27
PMSA 1930 (Danbury, CT)	6	2	33
PMSA 8880 (Waterbury, CT)	4	1	25
PMSA 5480 (New Haven-Meriden, CT)	3	1	33
Connecticut Subtotal	40	11	28
TOTALS	406	87	21
NEW YORK ASSESSMENT AREAS			
MSA 6840 (Rochester, NY)	31	6	19
MSA 8160 (Syracuse, NY)	14	3	21
MSA 0960 (Binghamton, NY)	11	6	55
MSA 3610 (Jamestown, NY)	8	1	13
MSA 1280 (Buffalo-Niagara Falls, NY)	7	3	43
MSA 0160 (Albany, NY)	0	0	0
MSA 2335 (Elmira, NY)	0	0	0
MSA 8680 (Utica-Rome, NY)	0	0	0
Non-MSA (Steuben County, NY)	2	0	0
TOTALS	73	19	26
USVI ASSESSMENT AREAS	7	2	29
GRAND TOTAL	486	108	22

EXHIBIT 11

Demographic Summaries of Assessment Areas

Combined Assessment Areas

	Geographies by Income Levels				
	Low	Moderate	Middle	Upper	TOTALS
Geographies for Analysis	454	950	2,233	1,496	5,133
% of Geographies for Analysis	9%	19%	44%	29%	100%
Total Population	1,875,623	3,695,274	8,681,426	5,915,911	20,168,234
% of Total Population	9%	18%	43%	29%	100%
Families Residing In	410,845	882,575	2,271,546	1,548,615	5,113,581
% of Families Residing In	8%	17%	44%	30%	100%

237 low-income geographies contained neither reported income nor owner-occupied housing units, and they were not used in the HMDA-related loan analyses. However, all geographies – 5,370 – were used for analysis of small business loans.

CMSA Assessment Area

	Geographies by Income Levels				
	Low	Moderate	Middle	Upper	TOTALS
Geographies for Analysis	359	769	1,737	1,268	4,133
% of Tracts for Analysis	9%	19%	42%	31%	100%
Total Population	1,632,596	3,109,047	6,658,560	4,874,968	16,275,171
% of Total Population	10%	19%	41%	30%	100%
Families Residing In	362,076	744,396	1,734,392	1,266,847	4,107,711
% of Families Residing In	9%	18%	42%	31%	100%

221 low-income census tracts contained neither reported income nor owner-occupied housing units, and they were not used in the HMDA-related loan analyses. However, all of the tracts – 4,354 – were used for analysis of small business loans.

Combined New York Assessment Areas

	Geographies by Income Levels				
	Low	Moderate	Middle	Upper	TOTALS
Geographies for Analysis	94	174	483	216	967
% of Geographies for Analysis	10%	18%	50%	22%	100%
Total Population	240,578	559,986	1,981,195	1,009,837	3,791,596
% of Total Population	6%	15%	52%	27%	100%
Families Residing In	48,227	132,524	527,770	274,341	982,862
% of Families Residing In	5%	13%	54%	28%	100%

Fourteen low-income geographies contained neither reported income nor owner-occupied housing units, and they were not used in the HMDA-related loan analyses. However, all geographies – 981 – were used for analysis of small business loans.

EXHIBIT 11 (CONTINUED)					
Demographic Summaries					
MSA 1280 (Buffalo-Niagara Falls, NY)					
Geographies by Income Levels					
	Low	Moderate	Middle	Upper	TOTALS
Census Tracts for Analysis	26	44	109	54	233
% of Tracts for Analysis	11%	19%	47%	23%	100%
Total Population	84,009	160,385	452,976	271,162	968,532
% of Total Population	9%	16%	47%	28%	100%
Families Residing In	18,181	40,674	122,407	74,435	255,697
% of Families Residing In	7%	16%	48%	29%	100%
Three low-income census tracts contain neither reported income nor housing for sale, and they were not used in the HMDA-related loan analyses. However, all of the tracts – 236 – were used for analysis of small business loans.					
MSA 6840 (Rochester)					
Geographies by Income Levels					
	Low	Moderate	Middle	Upper	TOTALS
Census Tracts for Analysis	34	34	92	44	204
% of Tracts for Analysis	17%	17%	45%	21%	100%
Total Population	65,553	101,626	415,293	233,677	816,149
% of Total Population	8%	12%	51%	29%	100%
Families Residing In	14,903	22,500	109,813	65,045	212,261
% of Families Residing In	7%	10%	52%	31%	100%
Two low-income census tracts contain neither reported income nor housing for sale, and they were not used in the HMDA-related loan analyses. However, all of the tracts – 206 – were used for analysis of small business loans.					
MSA 8160 (Syracuse, NY)					
Geographies by Income Levels					
	Low	Moderate	Middle	Upper	TOTALS
Census Tracts for Analysis	17	28	85	40	170
% of Tracts for Analysis	10%	16%	50%	24%	100%
Total Population	44,259	84,663	307,962	153,746	590,630
% of Total Population	8%	14%	52%	26%	100%
Families Residing In	7,054	19,677	81,220	42,113	150,064
% of Families Residing In	5%	13%	54%	28%	100%
One low-income census tract contained neither reported income nor housing for sale, and it was not used in the HMDA-related loan analyses. However, all of the tracts – 171 – were used for analysis of small business loans.					

EXHIBIT 11 (CONTINUED)

Demographic Summaries

MSA 0960 (Binghamton, NY)

	Geographies by Income Levels				TOTALS
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis	3	13	32	12	60
% of Tracts for Analysis	5%	22%	53%	20%	100%
Total Population	5,590	37,816	135,966	60,768	240,140
% of Total Population	2%	16%	57%	25%	100%
Families Residing In	732	9,640	36,488	16,023	62,883
% of Families Residing In	1%	15%	58%	26%	100%

Three low-income census tracts contain neither reported income and nor housing for sale, and they were not used in the HMDA-related loan analyses. However, all tracts – 63 – were used for analysis of small business loans.

MSA 2335 (Elmira, NY)

	Geographies by Income Levels				TOTALS
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis	1	4	14	3	22
% of Tracts for Analysis	4%	18%	64%	14%	100%
Total Population	4,224	12,072	58,743	20,156	95,195
% of Total Population	4%	13%	62%	21%	100%
Families Residing In	477	2,635	16,053	5,730	24,895
% of Families Residing In	2%	11%	64%	23%	100%

One low-income census tract contained neither reported income nor housing for sale, and it was not used in the HMDA-related loan analyses. However, all tracts – 23 – were used for analysis of small business loans.

MSA 8680 (Utica-Rome, NY)

	Geographies by Income Levels				TOTALS
	Low	Moderate	Middle	Upper	
Census Tracts for Analysis	4	17	37	21	79
% of Tracts for Analysis	5%	21%	47%	27%	100%
Total Population	5,780	49,702	125,359	69,995	250,836
% of Total Population	2%	20%	50%	28%	100%
Families Residing In	565	10,776	33,492	19,136	63,969
% of Families Residing In	<1%	17%	52%	30%	100%

Three low-income census tracts contain neither reported income nor housing for sale, and they were not used in the HMDA-related loan analyses. However, all of the tracts – 82 – were used for analysis of small business loans.

EXHIBIT 11 (CONTINUED)

Demographic Summaries

MSA 3610 (Jamestown, NY)

	Geographies by Income Levels				
	Low	Moderate	Middle	Upper	TOTALS
Census Tracts for Analysis	1	4	25	3	33
% of Tracts for Analysis	3%	12%	76%	9%	100%
Total Population	3,989	14,890	111,567	11,449	141,895
% of Total Population	3%	10%	79%	8%	100%
Families Residing In	789	3,793	30,396	2,471	37,449
% of Families Residing In	2%	10%	81%	7%	100%

MSA 0160 (Albany-Schenectady-Troy, NY)

	Geographies by Income Levels				
	Low	Moderate	Middle	Upper	TOTALS
Census Tracts for Analysis	8	30	79	38	155
% of Tracts for Analysis	5%	19%	51%	25%	100%
Total Population	27,174	98,832	345,870	179,567	651,443
% of Total Population	4%	15%	53%	28%	100%
Families Residing In	5,526	22,829	90,393	46,832	165,580
% of Families Residing In	3%	14%	55%	28%	100%

One low-income census tract contained neither reported income nor housing for sale, and it was not used in the HMDA-related loan analyses. However, all tracts – 156 – were used for analysis of small business loans.

Non-MSA (Steuben County, NY)

	Geographies by Income Levels				
	Low	Moderate	Middle	Upper	TOTALS
BNAs Tracts for Analysis	0	0	9	2	11
% of BNAs for Analysis	0%	0%	82%	18%	100%
Total Population	0	0	27,459	9,317	36,776
% of Total Population	0%	0%	75%	25%	100%
Families Residing In	0	0	7,508	2,556	10,064
% of Families Residing In	0%	0%	75%	25%	100%

EXHIBIT 11 (CONTINUED)

Demographic Summaries

USVI Assessment Areas

	Geographies by Income Levels				TOTALS
	Low	Moderate	Middle	Upper	
BNAs for Analysis	1	7	13	12	33
% of BNAs for Analysis	3%	21%	39%	37%	100%
Total Population	2,449	26,241	41,671	31,106`	101,467
% of Total Population	2%	26%	41%	31%	100%
Families Residing In	546	5,655	9,384	7,427	23,012
% of Families Residing In	2%	25%	41%	32%	100%
Two low-income BNAs contained neither reported income nor owner-occupied housing units, and they were not used in the HMDA-related loan analyses. However, all BNAs – 35 – were used for analysis of small business loans.					

CRA APPENDICES

CRA APPENDIX A

SCOPE OF EXAMINATION			
The Chase Manhattan Bank			
TIME PERIOD REVIEWED	1/1/97 to 12/31/98		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
The Chase Manhattan Bank			<ul style="list-style-type: none"> • Home Purchase Loans • Refinancings • Community Development Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
Chase Manhattan Mortgage Corporation	Holding company subsidiary		<ul style="list-style-type: none"> • Home Purchase Loans • Refinancings
Chase Manhattan Bank, N.A.	Holding company subsidiary		<ul style="list-style-type: none"> • Small Business Loans • Home Purchase Loans • Refinancings

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
CMSA 5602	On-site		
New York State	Off-site		
MSA 1280 (Buffalo-Niagara Falls, NY)	Off-site		
MSA 6840 (Rochester, NY)	Off-Site		
MSA 8160 (Syracuse, NY)	Off-site		
MSA 0960 (Binghamton, NY)	Off-site		
MSA 8680 (Utica-Rome, NY)	Off-site		
MSA 0160 (Albany, NY)	Off-site		
MSA 2335 (Elmira, NY)	Off-site		
MSA 3610 (Jamestown, NY)	Off-site		
Non-MSA Steuben County			
U.S. VIRGIN ISLANDS			
Non-MSA St. Thomas	Off-site		
Non-MSA St. Croix	Off-site		
Non-MSA St. John	Off-site		

CRA APPENDIX B

Summary of Ratings				
The Chase Manhattan Bank				
	Lending Test	Investment Test	Service Test	Overall Rating
CMSA	Outstanding	Outstanding	High Satisfactory	Outstanding
New York	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
United States Virgin Islands	High Satisfactory	High Satisfactory	High Satisfactory	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.

BNA: Block numbering area.

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.

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

CRA: Community Reinvestment Act.

FHA: Federal Housing Administration.

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.

LMA: Labor market area.

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.

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.

SBA: Small Business Administration.

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.

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.

VA: Veterans Administration.