

# **PUBLIC DISCLOSURE**

September 30, 2002

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Gotham Bank of New York  
RSSD No. 239015**

**1412 Broadway  
New York, New York 10018**

## **FEDERAL RESERVE BANK OF NEW YORK**

**33 LIBERTY STREET  
NEW YORK, N.Y. 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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## INSTITUTION

***INSTITUTION'S CRA RATING:*** Gotham Bank of New York is rated “SATISFACTORY.”

For the examination period of October 14, 1998, through September 30, 2002, the satisfactory performance of the Gotham Bank of New York (“Gotham”) with regard to the Community Reinvestment Act (“CRA”) is based on the following performance criteria:

- The bank’s loan-to-deposit ratio was low but reasonable considering community development activity.
- The majority of the loans were made in the assessment area.
- The geographic distribution of loans in the assessment area was reasonable.
- The distribution of loans to businesses of different sizes was poor.

### DESCRIPTION OF INSTITUTION

Established in 1980, Gotham operates a single office in midtown Manhattan. As of June 30, 2002, the bank had total assets of \$165.7 million with gross loans and leases of \$61 million. Approximately 74 percent of the bank’s loan portfolio consists of commercial and industrial loans with the balance commercial loans secured by real estate.

Gotham’s product lines and services to the public are limited. It does not offer residential mortgage loans or other consumer financing. The bank primarily offers short-term secured and unsecured financing to small and mid-sized businesses in the form of time and demand loans, bills receivable, bills discounted, commercial mortgage loans and lines of credit. Lending activity remains concentrated on manufacturers, wholesalers and importers in the garment, fur, carpet and jewelry industries.

There are no financial or legal impediments preventing the bank from meeting the credit needs of its assessment area. No credit practices violating the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, were identified as having a potential impact on Gotham’s CRA rating.

### DESCRIPTION OF THE BANK’S ASSESSMENT AREA

Gotham’s assessment area has not changed since the previous examination. It encompasses approximately the lower two-thirds of Manhattan (New York County) bounded by 86<sup>th</sup> Street on the north to the East River and the Hudson River (on the west). Of the 162 census tracts in the bank’s assessment area, 14 (9 percent) are low-income, 25 tracts (15 percent) are moderate-

income, 18 (11 percent) are middle-income census tracts, 100 (62 percent) are upper-income census tracts, and 5 do not have income information available. Approximately 24 percent of the bank's assessment area consists of low- and moderate-income ("LMI") census tracts. The bank's assessment area consists mainly of multifamily residences, commercial lofts, and office buildings with ground-floor retail establishments.

A map illustrating Gotham's assessment area is on page BB8.

## PERFORMANCE CONTEXT

The following demographic and economic information was obtained from publicly available sources that include the U.S. Department of Commerce's Bureau of Census, 1990, the U.S. Department of Labor, and the U.S. Department of Housing and Urban Development ("HUD").

### Demographic Characteristics

According to the 1990 Census, the population of the assessment area is 780,131. Eight percent of this population resides in low-income tracts, 16 percent in moderate-income census tracts, 10 percent in middle-income census tracts, and the remaining 66 percent of the population resides in upper-income census tracts.

Of the 150,469 households that are considered families in the bank's assessment area, 18 percent are low-income, 11 percent are moderate-income, 13 percent are middle-income, and 58 percent are upper-income. According to the 1990 Census, the median family income of the assessment area is \$37,515. The 2002 HUD-adjusted median family income of PMSA 5600 (New York, NY) is \$62,800.

### Housing Characteristics

Of the 475,808 housing units in the assessment area, 96,635 (20 percent) are owner-occupied, 332,032 (70 percent) are rental, and 47,141 (10 percent) are vacant. The owner-occupied percentage is significantly lower than the New York State rate of 48 percent. Most of the housing stock in the assessment area (96 percent) is multifamily residential. According to the Corcoran Report, the average selling prices for a co-operative apartment, condominium or townhouse in Manhattan for year-end 2001 ranged from \$427 thousand to \$5 million. This extremely high cost of housing compared with the median family income in the assessment area complicates affordable housing for many people.

### Labor, Employment and Economic Characteristics

As of December 31, 2001, New York City posted a job loss in two consecutive years for the first time since January 1996. The dual impact of a slowing national economy and repercussions of the September 11, 2001, terrorist attacks led to the loss of more than 59 thousand private sector jobs in the 12 months ending October 2001. Weakness was apparent in every sector except construction. Employment in finance, insurance and real estate was especially hard hit.

Approximately two-thirds of the job loss in this sector could be attributed to companies moving out of the city in response to the destruction of the World Trade Center.

According to the New York State Department of Labor, approximately 83 percent of all jobs in the needle trades (cutting and sewing fabric) are located in New York City. The largest part of this industry is the manufacturing of women's outerwear. This is consistent with Gotham's business strategy of serving manufacturers, wholesalers and importers in the garment, fur, carpet and jewelry industries.

Non-farm business establishments in the bank's assessment area total 122,594, and 77 percent of them have gross annual revenues ("GAR") of \$1 million or less. The 14 low-income census tracts in Gotham's assessment area contain 3,874 non-farm business establishments of which 74 percent have GAR of \$1 million or less. The 25 moderate-income census tracts contain 18,641 non-farm business establishments of which 74 percent have GAR of \$1 million or less. Of the total non-farm business establishments, 3 percent are located in a low-income tract while 15 percent are located in a moderate-income census tract.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Gotham's "satisfactory" rating is based on an assessment of the bank's core performance criteria. For the performance levels related to lending, income and geographic distribution, examiners analyzed a sample of 173 small loans to businesses originated between January 1, 2000, and June 30, 2002.

### Loan-to-deposit Ratio

Gotham's loan-to-deposit ratio was reasonable but considered low given the bank's size, financial condition, and the credit needs of the bank's assessment area. Gotham's average loan-to-deposit ratio for the four most recent quarters ending June 30, 2002, was 42 percent, based on information contained in its *Uniform Bank Performance Report*. This ratio was less than the national peer average of 77 percent for similarly sized banks, and it was also lower than the local peer group average of 63 percent for similarly sized banks.

The bank's community development lending enhanced its performance in this category. Gotham's involvement in several community development projects includes an \$800 thousand loan made in 2002 to purchase property in Brooklyn, New York, for a single men's homeless shelter, followed by a \$1 million loan for its construction. In addition, the bank has two community development loans with current balances of \$460 thousand and \$750 thousand, respectively, for housing specifically for individuals who are homeless, disabled, and/or suffer from HIV/AIDS.

Since 1993, Gotham has been a member of the New York Business Development Corporation ("NYBDC"), a privately owned and managed corporation that pools resources and spreads risk in an effort to complement banks providing funding for small business expansion in New York State. The bank extended a \$250 thousand line of credit to the organization. Every year, NYBDC

draws on the line of credit depending on the needs of the organization. In the past several years, the organization has drawn approximately \$25 thousand a year.

Gotham holds a \$74 thousand certificate of deposit (“CD”) with New York Community Capital Bank, an organization that lends money to help minority-run and start-up businesses. The CD is rolled over annually with the principal and interest.

**Lending in Assessment Area**

Gotham originated most of its loans within its assessment area. Of the 173 loans analyzed, 105, or 61 percent, were extended to businesses in the bank’s assessment area.

**Lending to Businesses of Different Sizes**

Overall, Gotham’s record of lending to businesses with revenues of \$1 million or less was poor given the demographics of the bank’s assessment area.

<b>EXHIBIT 1</b>					
<b>Distribution of Loans in Assessment Area</b>					
<b>By Size of Business</b>					
<b>January 1, 2000 – June 30, 2002</b>					
<b>SMALL BUSINESS LENDING SUMMARY</b>					
<b>Number of loans to businesses</b>	<b>Number of loans to <u>small</u> businesses*</b>	<b>% of loans to <u>small</u> businesses*</b>	<b>\$ amount of loans to businesses</b>	<b>\$ amount of loans to <u>small</u> businesses*</b>	<b>% of \$ amount of loans to <u>small</u> businesses*</b>
102	34	33%	\$13,640,892	\$2,670,300	20%

As Exhibit 1 shows, only 33 percent of the loans sampled were made to small businesses. This ratio compared poorly with the percentage of non-farm business establishments (77 percent) in Gotham’s assessment area with GAR of \$1 million or less.

Approximately 64 percent of small loans to businesses originated by Gotham during the examination period were for \$100 thousand or less, which indicates adequate performance. The average loan size was \$134 thousand, an amount that would generally meet the credit needs of small businesses in Manhattan.

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

### **Geographic Distribution of Loans**

Overall, Gotham's geographic distribution of small loans to businesses was considered reasonable given the demographics of the bank's assessment area. Of the 105 sample loans originated in the bank's assessment area, 1 percent were originated in low-income census tracts and 10 percent in moderate-income census tracts. This ratio is low when considering that the number of non-farm business establishments in low-income census tracts represents 3 percent of the business establishments in the assessment area. This ratio is adequate when considering that the number of non-farm business establishments in moderate-income census tract represents 15 percent of the business establishments in the assessment area.

### **Response to Complaints**

Gotham received no complaints relating to the bank's CRA performance, and no complaints have been filed with the Federal Reserve Bank of New York since the previous examination.

## CRA APPENDIX A

### GLOSSARY

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

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

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

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

**Home Mortgage Disclosure Act ("HMDA"):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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



**Metropolitan area (“MA”):** Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”), or consolidated metropolitan statistical area (“CMSA”), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

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

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

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

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

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

# Gotham Bank of New York Assessment Area January 1, 2000 through June 30, 2002

New York

