

# **PUBLIC DISCLOSURE**

**February 7, 2011**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

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

**1412 Broadway  
New York, NY 10018**

**Federal Reserve Bank of New York**

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

**NOTE:** This document is an evaluation of this 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. 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'S CRA RATING:** Gotham Bank of New York (“Gotham”) is rated “SATISFACTORY”.

The following table indicates the performance level of the institution with respect to the lending and community development tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	Lending Test	Community Development Test
Outstanding		X
Satisfactory	X	
Needs to Improve		
Substantial Noncompliance		

The major factors supporting this rating follow:

- The level of community development loans, qualified investments and community development services demonstrates excellent responsiveness to community development needs of the assessment area, considering the institution’s capacity and the need and availability of opportunities in the assessment area.
- The bank’s loan-to-deposit ratio is reasonable.
- A majority of loans were made in the assessment area.
- The distribution of loans to borrowers of different income levels and businesses of different sizes reflects reasonable penetration.

However, Gotham’s geographic distribution of loans reflects very poor dispersion throughout the assessment area and needs improvement.

## **DESCRIPTION OF INSTITUTION**

Gotham is a retail commercial bank operating a single office in midtown Manhattan. The institution is not part of a holding company nor is it affiliated with any other financial organization. Gotham's consumer product offerings are limited. Lending consists primarily of short-term secured and unsecured financing to small and mid-sized businesses. The institution does not offer residential mortgage loans or other types of consumer retail financing.

As of June 30, 2010, Gotham's total assets were \$382 million. Net loans and leases were \$135 million, with \$74 million, or 55 percent, concentrated in commercial loans. Total domestic deposits were \$295 million and the institution has a .04 percent deposit market share in New York City as of June 30, 2010.

Gotham's previous CRA performance evaluation was dated October 10, 2006, and the bank received an overall rating of Satisfactory. The previous examination was conducted using the Federal Financial Institutions Examination Council's ("FFIEC") Intermediate Small Bank Examination Procedures.

There are no financial or legal impediments preventing Gotham from serving the credit needs of small businesses in its assessment area.

## **DESCRIPTION OF GOTHAM'S ASSESSMENT AREA**

Gotham's assessment area ("AA") has not changed since the preceding examination. The institution's AA is part of the New York-White Plains-Wayne, NY-NJ Metropolitan Division (MD 35644) and consists of approximately the lower two thirds of Manhattan, also known as New York County. The AA is bound by 86<sup>th</sup> Street on the north and the East and Hudson Rivers to the east and west, respectively.

The AA does not arbitrarily exclude low- or moderate-income ("LMI") geographies and is otherwise in compliance with AA delineation requirements outlined in 12 CFR §228.41. A map illustrating the institution's AA is located in Appendix B of this evaluation.

## **SCOPE OF EXAMINATION**

### *Procedures and Products*

Gotham was examined using the FFIEC CRA Intermediate Small Bank examination procedures which consist of tests for lending and community development performance. The evaluation period covers loans originated between July 1, 2006 and June 30, 2010. As the vast majority of loans originated by the institution are business-purpose, the lending test consisted solely of an evaluation of small business loans.

The Board of Governors' sampling procedures were used to select 180 small business loans for lending performance evaluation. The data from these loans was verified as part of the onsite examination. In addition, community development activity in the form of loans, qualified investments, and services were considered.

### *Lending Distribution Analysis*

The analysis of borrower and geographic loan distribution was based on loan activity in Gotham's assessment area. To evaluate borrower distribution, the percentage of Gotham's loans to businesses with gross annual revenues (GAR) of \$1 million or less was compared to the percentage of all such businesses in the assessment area. To evaluate geographic distribution, the proportion of the institution's loan originations was compared with the proportion of small businesses located in the LMI geographies of Gotham's assessment area.

### *Community Contacts*

In order to gain a fuller understanding of local business credit needs and economic conditions, information was obtained from a recently conducted interview with a small business development group operating in Gotham's AA.

## **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 (2000), U.S. Department of Labor, the U.S. Department of Housing and Urban Development (HUD), the National Association of Realtors, and Moody's Economy.

### *Demographic Characteristics*

According to the 2000 Census, the population of Gotham's assessment area is 823,602. The assessment area consists of a portion of Manhattan, also known as New York County, which resides in the New York-White Plains-Wayne, NY-NJ Metropolitan Division (MD 35644). New York County is among the most densely populated counties in the U.S.

### *Income Characteristics*

The HUD-adjusted median family incomes for MD 35644 were \$59,500 in 2007, \$63,000 in 2008, and \$64,800 in 2009. These income levels were comparable to New York State's HUD-adjusted median family income from corresponding years. According to the 2000 Census, 8 percent of the institution's assessment area resides in low-income census tracts, 9 percent in moderate-income census tracts, 9 percent in middle-income census tracts, and 73 percent in upper-income census tracts.

*Housing Characteristics*

According to the National Association of Realtors, the median annual sales price of existing single-family homes in MD 35644 was \$494,300 in 2008 and decreased to \$437,200 in 2009. The Corcoran Report, a comprehensive quarterly analysis of New York City real estate trends, noted that the average selling price for all apartments in Manhattan for the second quarter of 2010 was \$1.206 million. Rental units comprise 69 percent of all housing in Manhattan, with the vast majority of owner-occupied units, 91 percent, owned by upper-income individuals. Affordable housing for LMI individuals is very difficult to obtain in this assessment area.

<b>EXHIBIT I</b>								
<b>Assessment Area Demographics</b>								
<b>MD 35644 (New York, NY)</b>								
<b>Income Categories</b>	<b>Tract Distribution</b>		<b>Families by Tract Income</b>		<b>Families &lt; Poverty Level as % of Families by Tract</b>		<b>Families by Family Income</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	13	8.0	16,615	10.9	5,555	33.4	26,415	17.3
Moderate-income	15	9.2	15,317	10.0	3,600	23.5	14,214	9.3
Middle-income	14	8.6	11,258	7.4	1,620	14.4	16,427	10.8
Upper-income	119	73.0	109,456	71.7	3,426	3.1	95,590	62.6
Unknown-income	2	1.2	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>163</b>	<b>100.0</b>	<b>152,646</b>	<b>100.0</b>	<b>14,201</b>	<b>9.3</b>	<b>152,646</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	26,872	1,484	1.3	5.5	24,438	90.9	950	3.5
Moderate-income	33,952	3,794	3.3	11.2	28,411	83.7	1,747	5.1
Middle-income	43,053	5,254	4.5	12.2	35,103	81.5	2,696	6.3
Upper-income	390,740	105,482	90.9	27.0	251,073	64.3	34,185	8.7
Unknown-income	48	0	0.0	0.0	25	52.1	23	47.9
<b>Total Assessment Area</b>	<b>494,665</b>	<b>116,014</b>	<b>100.0</b>	<b>23.5</b>	<b>339,050</b>	<b>68.5</b>	<b>39,601</b>	<b>8.0</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	3,756	2.9	3,367	3.1	176	0.9	213	6.2
Moderate-income	5,183	3.9	4,402	4.0	529	2.8	252	7.4
Middle-income	8,848	6.7	7,374	6.7	1,157	6.1	317	9.3
Upper-income	110,425	83.8	91,332	83.6	16,523	86.4	2,570	75.3
Unknown-income	3,565	2.7	2,774	2.5	731	3.8	60	1.8
<b>Total Assessment Area</b>	<b>131,777</b>	<b>100.0</b>	<b>109,249</b>	<b>100.0</b>	<b>19,116</b>	<b>100.0</b>	<b>3,412</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>82.9</b>			<b>14.5</b>	<b>2.6</b>
Based on 2000 Census Data.								

### *Labor, Employment, and Economic Characteristics*

Gotham's assessment area within MD 35644 has 131,777 businesses, of which 83 percent reported gross annual revenues of \$1 million or less. Of the total businesses, 3 percent are located in low-income geographies and 4 percent are located in moderate income geographies. A large majority of businesses in the assessment area, 84 percent, operate in upper income geographies.

According to the U.S. Department of Labor, New York City's unemployment rate increased significantly over the review period from 5.0 percent in 2006 to 9.5 percent in 2009. Community contacts indicated that business credit availability has narrowed over the last few years due to the local and national economic crisis.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

Gotham's record of meeting the credit needs of its assessment areas through lending performance is satisfactory. The institution originated a majority of loans within its assessment area and its loan-to-deposit ratio was reasonable. The overall distribution of loans to businesses of different sizes was reasonable; however, the geographic distribution of loans reflects very poor penetration in LMI income geographies within the institution's assessment area and needs to be improved.

#### **Loan-to-Deposit Ratio**

Gotham's loan-to-deposit ("LTD") ratio was reasonable given the institution's size, financial condition, and the credit needs of its assessment area. The institution's average LTD ratio for the sixteen quarters between July 1, 2006 and June 30, 2010 was 54 percent based on information contained in its *Consolidated Report of Condition and Income*. This ratio was below the national peer average of 85 percent for similarly-sized banks as well as below an average of 72 percent culled from similarly-situated banks operating in Gotham's assessment area. While Gotham's ratio appears to be substantially lower than peer banks, the average represents an increase from the preceding examination, at which time the institution maintained a sixteen month average ratio of 49 percent. In addition, due to the wholly commercial nature of the institution's operations, customer deposits and withdrawals tend to be much higher than consumer retail accounts, resulting in wide fluctuations in LTD ratios at any given point. Gotham's quarter-end LTD ratios ranged from a low of 43 percent to a high of 67 percent over the review period.

### **Lending in Assessment Area**

Gotham originated a majority of loans in its assessment area. Of the 180 small business loans sampled, 135, or 75 percent, were extended to businesses operating within Gotham's assessment area.

### **Lending to Businesses of Different Sizes**

Gotham's overall lending to businesses with gross annual revenues (GAR) of \$1 million or less was reasonable. The institution originated 33 percent of its loans to businesses with GAR of \$1 million or less while 83 percent of businesses operating in the AA report GARs of \$1 million or less. Lending to businesses with GAR of \$1 million or less is somewhat limited as Gotham's lending strategy consists of establishing long-term relationships with businesses specializing in a narrow range of industries. Many of these customers have grown beyond GAR of \$1 million as a result of their tenure and most operate in close proximity to the institution's sole office.

Sixty-four percent of the sampled small business loans originated over the entire review period were in amounts of \$100 thousand or less. This figure trended upward over the review period to a high of 80 percent for loans originated in 2009. In addition, the average loan amount over the review period was \$139 thousand, which while representing an increase in average loan amount since the preceding examination, indicates satisfactory availability of credit to smaller businesses. Smaller loan amounts are reflective of the needs of smaller businesses.

### **Geographic Distribution of Loans**

Gotham's geographic distribution of loans reflected very poor dispersion throughout the assessment area. No loans sampled were originated in LMI census tracts. In comparison, 3 percent of the assessment area businesses are located in low-income census tracts and 4 percent are located in moderate-income census tracts. Gotham originated approximately 80 percent of sampled loans within a mile of its office.

### **Response to Complaints**

Gotham received no complaints relating to the institution's CRA performance. Since the previous examination, there were no CRA-related complaints filed with the Federal Reserve Bank of New York.

## **COMMUNITY DEVELOPMENT TEST**

Gotham demonstrated excellent responsiveness to the community development needs of its assessment area through loans, qualified investments and community development services. This assessment considers Gotham's size and the need and availability of community development opportunities within its assessment area.



Community development activity in the areas of loans and investments increased substantially since the preceding CRA performance evaluation. The chart below details the institution's community development loan and qualified investment activity.

Gotham Bank of New York Community Development Loans & Qualified Investments								
Loans and Investments	Affordable Housing		Community Services		Economic Development		Totals	
	#	(\$000s)	#	(\$000s)	#	(\$000s)	#	(\$000s)
Loans	2	\$3,650	9	\$11,145	1	\$250	12	\$15,045
Investments	0	\$0	11	\$24	1	\$90	12	\$114
Total Loans and Investments	2	\$3,650	20	\$11,169	2	\$340	24	\$15,159

### Community Development Loans

Gotham originated twelve community development loans for a total of \$15 million. Of this total, 74 percent provided community development services targeted to LMI individuals, 24 percent financed affordable housing, and 2 percent targeted economic development initiatives. The majority of loans providing community development services focused on the creation, provision, and maintenance of housing and services for homeless individuals and families. Affordable housing-purpose loans included a loan to a single room occupancy hotel leased to a non-profit organization specializing in assisting LMI individuals and a loan to finance the construction of residential properties to an organization which works to expand access to housing for LMI individuals and families. An economic development loan was made in the form of a line of credit to a business development corporation which works in partnership with banks to provide alternatives to traditional small business funding.

### Qualified Investments

Gotham's qualified investments totaled \$114 thousand which consisted of a \$90 thousand Certificate of Deposit in a minority-owned financial institution and \$24 thousand in various donations to organizations providing community development services to LMI individuals.

### Community Development Services

Gotham engaged in a modest amount of community development services. One of the institution's loan officers serves on the board of directors of a local food pantry which provides services to LMI individuals. In this role, the officer provides financial advice and expertise to the organization to maximize fundraising efforts.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs was identified.

## CRA APPENDIX A

### GLOSSARY

**Census tract:** A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with the Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, census tracts generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries are delineated with the intention of being stable over many decades, so the generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances; the boundary of a state or county) or statistically equivalent entity) is always a census tract boundary.

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

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize and stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including the needs of low- and moderate-income individuals.

**Family:** A family is a group of two or more people related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.

**Full review:** Performance is analyzed considering performance context, quantitative factors and qualitative factors.

**Geography:** A census tract 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, 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:** A household consists of all the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group quarters.

**Limited-scope review:** Performance is analyzed using only quantitative factors.

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

**Metropolitan Statistical Area (“MSA”):** A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core.

**Metropolitan Division:** A county or group of counties within a **Metropolitan Statistical Area** that contains a population of at least 2.5 million and represents an employment center(s) associated through commuting ties.

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

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

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

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

**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% of the area median income, or a median family income that is more than 120%, in the case of a geography.

# Gotham Bank of New York

## Assessment Area

July 1, 2006 through June 30, 2010

