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## GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Chase Manhattan Bank** prepared by the **Federal Reserve Bank of New York**, the institution's supervisory agency, as of **March 10, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

The new CRA regulation will be phased in over a two year period beginning July 1, 1995. During that period, banks with total assets greater than \$250 million will be examined under the current regulation with its twelve assessment factors until July 1, 1997. However, to comply with the requirements of Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, this evaluation includes conclusions with respect to overall performance as well as the bank's performance in each Metropolitan Statistical Area and Non-Metropolitan Statistical Area which the bank has delineated for CRA purposes

## ASSIGNMENT OF RATING

### Identification of Ratings

**In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:**

#### **Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**DISCUSSION OF INSTITUTION'S PERFORMANCE:**

Institution's Rating: This institution is rated outstanding based on the findings presented below:

Chase's level of compliance with the Community Reinvestment Act is assessed as "outstanding." Bank management has demonstrated a significant commitment to CRA through substantial participation in innovative community development projects and programs that support both affordable housing and economic development in the bank's delineated community and by offering a strong line of special credit products with flexible terms and criteria that support home ownership and small businesses, particularly in low- and moderate-income areas of the bank's community. Overall, mortgage and small business lending performance is satisfactory taking into account the number of owner-occupied housing units in each geographic area and comparing performance in low- and moderate-income tracts with performance in non-low - and moderate-income tracts. However, in some areas weaknesses were noted based on either nominal loan volume levels or disproportionate loan penetration levels relative to lending opportunities.

The analysis in this examination took into account the nature and scope of Chase's banking operations and business strategies in each state and geography of its delineated community. As a result, significant weight was placed on the bank's performance in the State of New York and in particular MSA 5600 (New York, NY) and MSA 5380 (Nassau-Suffolk). These areas account for the primary concentration of the bank's retail business market, branch network and customer base.

**DESCRIPTION OF INSTITUTION:**

The Chase Manhattan Bank is a New York State chartered banking corporation and a member of the Federal Reserve System. Chase is the principal bank of the Chase Manhattan Corporation, headquartered at 270 Park Avenue, New York, New York. Other bank subsidiaries include Texas Commerce Bank National Association, a national bank headquartered in Texas and Chase Manhattan Bank USA National Association, a national bank headquartered in Delaware. At March 31, 1997, the bank had total assets of \$270.9 billion and net loans and leases of \$121.1 billion. At the same time, the holding company had total consolidated assets of \$340.3 billion.

Chase operates 578 retail branches throughout its delineated community, including 482 in New York, 40 in New Jersey, 49 in Connecticut and 7 in the United States Virgin Islands, providing products and services to consumers, small businesses and commercial enterprises. Residential mortgage loan products are offered on a tri-state basis through Chase and on a national basis through Chase Mortgage Corporation, an affiliate of the bank and a subsidiary of Chase Manhattan Bank USA, N.A.

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

**REASONABLENESS OF DELINEATED COMMUNITY**

**Chemical Bank - 1995**

In 1995, the delineation of what was then Chemical Bank consisted of all or part of nine metropolitan statistical areas ("MSAs"). The delineation, unchanged subsequent to the previous examination, was based on the political boundary and effective lending territory criteria permitted by Section 228.3(b)(1) and (2) of Regulation BB. The delineation was reasonable and did not arbitrarily exclude low- and moderate-income areas.

The delineation included the following eight communities in the State of New York:

- C The Downstate Community: A portion of MSA 5600 (New York, New York) consisting of Bronx, Kings, New York, Queens, Richmond, Rockland and Westchester Counties and all of MSA 5380 (Nassau-Suffolk, NY) consisting of Nassau and Suffolk Counties on Long Island.
- C The Capital Community: Portions of MSA 0160 (Albany- Schenectady-Troy) consisting of portions of Albany, Rensselaer, Schenectady and Saratoga Counties.
- C The Syracuse Community: A portion of MSA 8160 (Syracuse, NY) consisting of Onondaga County.
- C The Rochester Community: A portion of MSA 6840 (Rochester, NY) consisting of Monroe County.
- C The Buffalo Community: A portion of MSA 1280 (Buffalo-Niagara Falls) consisting of Erie County.
- C The Utica Community: A portion of MSA 8680 (Utica-Rome, NY) consisting of Oneida County.
- C The Elmira Community: All of MSA 2335 (Elmira, NY) consisting of Chemung County.
- C The Binghamton Community: Part of MSA 0960 (Binghamton, NY) consisting of Broome County.

There are 3,848 populated census tracts in this delineation, of which 1,102 census tracts, or 29 percent, are low- and moderate-income. The total number of owner-occupied housing units within Chemical's 1995 delineation is approximately 2.6 million with 296 thousand, or 12 percent, located in low- and moderate-income census tracts. Total population within the delineation is approximately 14.3 million, of which 28 percent, or four million people live in low- and moderate-income census tracts.

### **The Chase Manhattan Bank - 1996**

As a result of the 1996 mergers of Chemical Bank and The Chase Manhattan Bank, N.A. and Chemical Bank New Jersey, N.A. (renamed The Chase Manhattan Bank, N.A.) into Chase, the delineated community described above was significantly enlarged. The delineation as of March 10, 1997 included the geographic areas served by the pre-merger banks and continues to be based on the political boundary and effective lending territory criteria permitted under Regulation BB. The delineation is reasonable and does not arbitrarily exclude low- and moderate- income areas.

The delineated community includes all or portions of 21 MSAs and some non-MSA areas in New York State, New Jersey, Connecticut, Puerto Rico and the United States Virgin Islands. There are 13 communities included in the delineation as follows:

#### **NEW YORK STATE**

- C The Downstate Community: All of MSA 5600 (New York, New York), consisting of Bronx, Kings, New York, Queens, Richmond, Rockland, Westchester and Putnam Counties; all of MSA 5380 (Nassau-Suffolk), consisting of Nassau and Suffolk Counties on Long Island; and a portion of MSA 5660 (Newburgh, NY-PA) consisting of the town of Monroe in Orange County.
- C The Capital District: A portion of MSA 0160 (Albany- Schenectady-Troy) consisting of portions of Albany, Rensselaer, Schenectady and Saratoga Counties.
- C The Binghamton Community: A portion of MSA 0960 (Binghamton, NY) consisting of all of Broome County and a portion of Tioga County.
- C The Chemung/Corning Community: All of MSA 2335 (Elmira, NY), consisting of Chemung County and some non-MSA portions of Steuben County.
- C The Syracuse/Utica Community: A portion of MSA 8160 (Syracuse, NY) consisting of all of Onondaga County, a portion of Oswego County and a portion of Madison Counties and a portion of MSA 8680 (Utica-Rome) consisting of all of Oneida County.
- C The Rochester Community: A portion of MSA 6840 (Rochester, NY) consisting of all of Monroe County and portions of Wayne and Ontario Counties.
- C The Jamestown Community: All of MSA 3610 (Jamestown, NY), consisting of Chautauqua County.
- C The Buffalo Community: A portion of MSA 1280 (Buffalo-Niagara Falls, NY) consisting of Erie County.



**STATE OF CONNECTICUT**

- C The Fairfield/New Haven Community: All of Fairfield and New Haven Counties and portions of Litchfield County as represented in all of MSA 8040 (Stamford-Norwalk, CT), consisting of portions of Fairfield County; all of MSA 1160 (Bridgeport, CT), consisting of portions of Fairfield and New Haven Counties; all of MSA 8880 (Waterbury, CT), consisting of portions of New Haven and Litchfield Counties; all of MSA 1930 (Danbury, CT), consisting of portions of Fairfield and Litchfield Counties; and portions of MSA 5480 (New Haven-Meriden, CT) consisting of portions of New Haven County.
- C The Hartford Community: Portions of MSA 3280 (Hartford) consisting of the towns of West Hartford, East Hartford and the City of Hartford.

**STATE OF NEW JERSEY**

- C New Jersey Community: All of MSA 0875 (Bergen-Passaic, NJ), consisting of Bergen and Passaic Counties; all of MSA 3640 (Jersey City, NJ), consisting of Hudson County; and portions of MSA 5640 (Newark, NJ) consisting of Essex, Union and a portion of Morris Counties.

**PUERTO RICO**

- C Puerto Rico Community: All of MSA 7440 (San Juan-Bayamon), consisting of the municipalities of Catano, San Juan, Carolina, Bayamon, Guaynabo and Trujillo Alto.

**US VIRGIN ISLANDS**

- C Virgin Island Community: The non-MSA Islands of St. Thomas, St. Croix and St. John and Water Island.

There are 5,718 populated census tracts or block numbering areas (“BNAs”) in the delineation, of which 1,629, or 28 percent, are low- and moderate-income. The total number of owner-occupied housing units within Chase’s 1996 delineation is approximately 4.2 million, with 505 thousand, or 12 percent, located in low- and moderate-income census tracts or BNAs. The total population within this community delineation is approximately 22 million, of which 27 percent, or about 5.9 million, resides in low-and moderate-income census tracts or BNAs.

The following maps represent the bank’s delineated communities in 1995 and 1996.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CATEGORIES:

Following is a summary of Chase's CRA performance based on the following five performance categories: 1) Community development; 2) Geographic distribution and record of opening and closing offices; 3) Marketing and types of credit offered and extended; 4) Discrimination and other illegal credit practices; and, 5) Ascertainment of community credit needs. See state and MSA analysis for each state or territory within the bank's delineation for further details regarding the assessment factors that deal with performance and community profiles. A detailed discussion pertaining to the assessment factors that deal with marketing and ascertainment begins on page 140.

### I. COMMUNITY DEVELOPMENT

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

Chase's overall community development performance is outstanding. The bank strongly supports community development programs and initiatives through direct loans and investments and indirect loans and investments to financial intermediaries and consortiums. The bank's activity reflects a high degree of involvement with innovative and sometimes complex projects that provide financial support in response to the community's needs. Community development performance was outstanding in all states and territories that are part of Chase's delineated community. Although the overall commitment of community development dollars is outstanding, the dollar distribution varies between states and MSAs within those states. Some MSAs have little or no activity; a review, however, of the bank's ascertainment efforts and community contacts indicated that the bank attempted to provide community development support throughout its delineations.

Chase has a strong program designed to enable management to identify and address credit needs in all the bank's delineated areas. Management has implemented a strategy which concentrates primarily on New York State, with particular emphasis on the state's downstate region. This strategy is reasonable in light of the bank's business focus and concentration of its branch network and resources. In the delineated communities outside of New York State, Chase's community development activity was also outstanding in relation to the size and scope of the bank's business operations and strategy.

This examination covered community development activity subsequent to the October 1995 Public Evaluation of Chase Manhattan Bank, N.A. prepared by the Office of the Comptroller of the Currency and the March 1995 Public Evaluation of Chemical Bank prepared by the Federal Reserve Bank of New York. Data on activity occurring prior to December 31, 1995 were gathered for each of the banks individually. Data on activity from January 1, 1996 to March 31, 1997 were gathered for the combined institution.

For the evaluation period, Chase's community development activity totaled \$666 million, of which 71 percent, or \$475 million, represented new commitments. Of total activity, \$487 million (73 percent) consisted of loans, \$162 million (24 percent) consist of investments and deposits, and \$17 million (3 percent)

## I. COMMUNITY DEVELOPMENT (Cont.)

consisted of nonrecoverable grants and donations. In addition, the bank issued \$54 million in standby letters of credit for community development purposes. Activity was almost evenly divided between direct and indirect participation. Direct loans and investments totaled \$335 million, while indirect loans and investments to numerous financial intermediaries and consortia totaled \$331 million.

Community development activities centered on affordable housing initiatives involving both direct and indirect financing of projects. Chase directed \$551 million of the \$666 million total (82 percent) to nearly six thousand affordable owner-occupied or rental housing units in its delineated areas. Community service projects and economic development initiatives, including activity involving small business financial intermediaries, totaled \$64 million (10 percent) and \$51 million (8 percent), respectively. Management has identified affordable housing as the most pronounced financing need within the bank's delineations. Affordable housing needs were consistently noted by community contacts and in background information used for this examination.

The total community development activity of \$666 million included \$90.3 million in commitments to nationwide organizations. This nationwide activity consisted of \$89.3 million in loans and investments in support of affordable housing initiatives and \$1 million to a national community service organization. Of Chase's total investments in nationwide affordable housing organizations, \$44.4 million was targeted to low-income housing tax credit projects in New York, New Jersey and Connecticut.

Community development activity in New York State totaled \$552 million and represented 83 percent of total overall community development activity. As noted above, this level of participation is reasonable in light of the bank's business strategy, branch concentrations and resources. Community development in New Jersey, Connecticut, Puerto Rico and the U.S. Virgin Islands totaled \$ 32 million (5 percent), \$25 million (4 percent), \$9.5 million (1 percent) and \$1.2 million (less than 1 percent), respectively.

Exhibit A, which follows, shows Chase's direct and indirect community development commitments for each state or territory in the bank's delineation. Details of performance in each state or territory, by MSA or non-MSA areas within each delineation, are contained in subsequent portions of this report.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

The geographic distribution of Chase's lending activity was determined through an analysis of Home Mortgage Disclosure Act (HMDA) and small business lending data for 1995 and 1996. Overall, Chase's efforts to help meet the credit needs in its community delineation, including low- and moderate-income areas, is satisfactory. The analysis demonstrates reasonable mortgage and small business loan activity among the various income geographies in the delineation; some weaknesses, however, in loan penetration were identified.

Conclusions varied somewhat by state, but primary reliance in reaching the overall conclusion was placed on performance in New York State. The New York State delineation represents the largest concentration of population and individuals living in low- and moderate-income census tracts in the bank's overall delineation. It also contains 61 percent of the overall delineation's low- and moderate-income census tract owner-occupied housing units and the majority of the overall delineation's small businesses. As of March 31, 1997, 85 percent of Chase branches and 95 percent of total retail deposits in the tri-state area were in New York State. For additional details on the bank's operations in New York State, see page 42.

For 1995, the HMDA analysis included all home purchase and refinance loans approved and purchased by Chemical Bank. For 1996, the analysis included all home purchase and refinance loans approved within the bank's delineation by The Chase Manhattan Bank, N.A. as well as similar loans approved by its affiliates Chase Manhattan Mortgage Corporation and Chase Manhattan Servicing. Home improvement loans were excluded from this analysis in light of the fact that prior to September 1996 the bank opted, as permitted under Regulation C, not to collect information related to an applicant's intended use of proceeds from home equity loans not classified by the bank as home improvement loans and home equity lines of credit. Therefore, an analysis of the limited home improvement activity reported subsequent to September 1996 would not be indicative of the bank's overall performance. Home purchase and refinance loans originated on dwellings in the United States Virgin Islands (USVI) are not subject to HMDA reporting, and were not included in the HMDA analysis. Chase's internal lending data was used to evaluate performance in the USVI. Chase maintains only a middle market business presence in Puerto Rico; therefore, no consumer mortgage loans were approved in Puerto Rico.

Small business loans originated or purchased by Chemical Bank were used in the analysis of activity for 1995. In 1996, small business loans originated or purchased by the combined Chase and its subsidiary Chase Manhattan Automotive Finance were analyzed. Small business loans are defined as those loans made to businesses with gross annual revenues of \$1 million or less, based on the revenues the bank considered in making the credit decision, where the loan amount is \$1 million or less. The bank also reported a significant volume of small business loans originated for \$1 million or less, by various loan amount categories, where the revenue of the business was not considered when making the credit decision and was not reported. Those reported loans that did not include information about the revenue size of the business were not included in the small business analysis. Of the 25,604 loans totaling

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (Cont.)

\$ 2.2 billion reported for the States of New York, New Jersey and Connecticut, it is estimated that 46 percent did not contain revenue information. This was particularly the case in Connecticut and New Jersey, where approximately 56 percent and 50 percent, respectively, of business loans reported did not include revenue information. In Connecticut, a total of 961 loans for \$73 million were reported, and in New Jersey, 1,603 loans totaling \$169 million. Of the 15,353 (\$1.7 billion) business loans reported in New York State, approximately 18 percent did not include revenue information. Management noted that a large number of reported small business loans were originated in the automobile finance area where the credit decision for vehicles owned by small businesses is generally based on factors other than the revenue of the business. There is, therefore, the potential that Chase small business loan performance may be stronger than described in this document, if the additional small business revenue information could have been considered.

Management provided information regarding small business lending in the USVI. Data regarding the number of businesses located in the USVI however, are not available, consequently, it was not possible to complete a demand-adjusted analysis with respect to this lending. No small business loans originations were made in Puerto Rico. Chase has a middle market business focus on the island.

Exhibit A-3, which follows, reflects the bank's 1996 home purchase and refinance activity for each state that comprised the bank's delineation. The activity is adjusted for demand by calculating the ratio of loans and applications per thousand owner-occupied housing units in a geographic area and comparing the ratios for non low- and moderate-income and low- and moderate-income census tracts. Exhibit A-4 reflects small business lending activity in the same census tracts. Small business loan originations are also adjusted for demand, on the basis of the number of small businesses located in non-low- and moderate-income census tracts and in low- and moderate-income census tracts. Data on the number of small business establishments were obtained from 1996 American business information provided by Claritas, Inc. Details of performance in each state, by MSA or non-MSA areas within each delineation, are set forth in subsequent portions of this report.

### **HMDA Lending Summary**

As reflected in Exhibit A-3, on a demand-adjusted basis for 1996, the overall rate for mortgage applications and approvals was reasonable. Mortgage application activity was 1.2 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts, while approval activity was 1.4 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts.

On a state-by-state basis, results varied. While mortgage performance was satisfactory in New York, it was less than satisfactory in Connecticut and New Jersey. In some of the geographies in the delineated portion of Connecticut, demand-adjusted mortgage performance was reasonable; however, weak performance was found in MSA 5480 (New Haven-Meriden, CT) and MSA 8040 (Stanford-Norwalk, CT) which, combined, contain 52 percent of the owner-occupied housing units in low- and moderate income census tracts within the Connecticut delineation. In these MSAs, the average level of demand-adjusted lending in non low- and moderate-income census tracts was 1.8 times greater than in low- and moderate-income census tracts. Performance was reasonable in some geographies of the

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (Cont.)

delineated portion of New Jersey, but weak mortgage performance in MSA 5640 Newark, NJ), which contains the greatest concentration of low- and moderate-income lending opportunities in the state, resulted in less than satisfactory performance for the state as a whole. In MSA 5640 (Newark, NJ), demand-adjusted mortgage loan approvals were 2.2 times greater in non- low- and moderate-income census tracts. For more information, see the New Jersey section of this report beginning on page 86.

Overall, the bank achieved reasonable penetration levels throughout its entire delineation. In the delineated portions of upstate New York loan volume, however, particularly in low- and moderate-income census tracts, showed some weakness in relation to available lending opportunities, as measured by the number of owner-occupied housing units.

### **Small Business Lending Summary**

Overall, on a demand-adjusted basis, the bank's small business loan performance was satisfactory. On a demand-adjusted basis for 1996, loan originations were 1.3 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts; weakness however, was noted in Connecticut and New Jersey. On a state-by-state basis, performance ranged from satisfactory to needs improvement. In New York, overall performance was satisfactory; some weakness was noted however, in MSA 1280 (Buffalo-Niagara Falls, NY) and MSA 3610 (Jamestown, NY). In MSA 1280, originations, on a demand-adjusted basis, in non-low- and moderate-income census tracts exceeded those in low- and moderate-income- census tracts by 1.7 times. In MSA 3610, performance was weak because of low loan volume. In addition, originations in MSA 3610, on a demand-adjusted basis, in non-low- and moderate- income census tracts were two times greater than in low- and moderate-income census tracts. Loan penetration levels in New York State were generally good, particularly in the downstate areas around New York City. In the upstate portions of the New York delineation, loan penetration was somewhat weak in that the volume of loan originations was inconsistent with the number of small businesses located in the retail business portion of the upstate delineation.

Performance in Connecticut and New Jersey needs to improve. In Connecticut, the distribution of loan originations between low- and moderate-income and non-low- and moderate-income census tracts was reasonable, the volume of small business activity, however, was extremely weak, and not consistent with lending opportunities. There are approximately 75,000 small business in the Connecticut delineation. Chase originated only 189 loans to such businesses. In addition, very weak demand-adjusted performance was noted in MSA 5480 (New Haven, CT), where loans in non-low- and moderate- income census tracts were 7.3 times greater than in low- and moderate-income census tracts. In MSA 3280 (Hartford, CT), no small business loans were made in the low- and moderate-income areas of the delineated portion of the MSA.

Overall demand-adjusted small business loan performance in the New Jersey delineation was less than satisfactory, with particularly weak performance noted in MSA 5640 (Newark, NJ), especially in Essex County. Weakness was also noted in part of MSA 0875 (Bergen-Passaic, NJ). In MSA 5640 (Newark, NJ), demand-adjusted originations were 4.6 times greater in non-low- and moderate-income census tracts than in low-.and moderate-income censustracts. In the Essex County portion of the MSA, originations were 7.3 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. MSA 5640 (Newark, NJ) contains the largest number of small

businesses in low- and moderate-income census tracts in the New Jersey delineation. A significant majority are located in Essex County. In Bergen County, demand-adjusted small business loan originations in non low- and moderate-income census tracts were almost two times greater than in low- and moderate-income census tracts.

Details of the bank's performance with respect to mortgage and small business lending in each of the states, MSAs or non-MSA areas in Chase's delineation are presented in subsequent portions of this report.

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

**Chemical Bank - 1995**

At the previous examination, as of March 13, 1995, Chemical Bank maintained 283 full service retail branches in downstate New York. There were also eight commercial lending offices in upstate New York, where the bank was primarily a middle market lender serving the needs of local businesses and government. Between the previous examination and year-end 1995, the bank consolidated six retail branches. No new offices were opened. As of December 31, 1995 the Chemical Bank branch network, therefore, consisted of 277 full service retail branches and eight commercial lending locations.

Exhibit A-5 shows the number of Chemical Bank offices by MSA, as of December 31, 1995.



**EXHIBIT A-5**

**NUMBER OF CHEMICAL BANK OFFICES BY MSA**

MSA	Retail Offices	Commercial Offices	Number of Branches in Low- and Moderate-Income Census Tracts
MSA 5600 (New York)	208		52
MSA 5380 (Nassau-Suffolk)	69		11
MSA 6840 (Rochester)		2	1
MSA 1280 (Buffalo-Niagara Falls)		1	1
MSA 0160 (Albany-Schenectady-Troy)		1	1
MSA 8160 (Syracuse)		1	1
MSA 8680 (Utica-Rome)		1	1
MSA 0960 (Binghamton)		1	1
MSA 2335 (Elmira)		1	0
<b>TOTALS</b>	<i>277</i>	8	69

Chemical Bank had a satisfactory branch closing policy in place during 1995 which conformed to the guidelines in 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 potential, availability of transportation and community traffic patterns, and to assess the potential impact on the local community. The policy provides for timely advance notification to applicable regulatory agencies and affected customers regarding branch closings, consolidations and relocations. The bank's branch closing policy was appropriately applied for consolidations occurring in 1995. It does not appear that customers, particularly those in low- and moderate-income census tracts, were adversely affected by the actions taken.

**The Chase Manhattan Bank - 1996**

As of March 10, 1997, Chase maintained a network of 578 full service retail branches, 69 automated facilities (automated teller machine (ATM) only locations), 16 business/private banking facilities and 14 middle market/commercial lending offices. The bank also operated 16 “Checks-to-Cash Club” offices. These facilities provide check cashing and related ancillary services such as money orders and utility payments to non-Chase customers, for a fee.

The expansion of the branch network is the result of two mergers during 1996. On July 14, 1996, Chemical Bank merged with The Chase Manhattan Bank, N.A. and changed the name of the institution to The Chase Manhattan Bank. Through this merger, the bank acquired 302 full service retail branch offices and a presence outside the State of New York. On December 1, 1996, The Chase Manhattan Bank merged with The Chase Manhattan Bank, N.A. Morristown, N.J., formerly Chemical Bank New Jersey, N.A., acquiring 39 full service retail branches.

Exhibit A-6 below sets forth the number of full service branch openings, consolidations and acquisitions as of March 10, 1997. Openings and consolidations occurred only in New York State. As of March 10, 1997, the bank notified regulatory agencies and customers regarding 34 additional branch consolidations scheduled for later in 1997. Of these consolidations, 33 are in the State of New York and one is in the State of Connecticut. These consolidations are not complete and, therefore, are not included in Exhibit A-6.

**EXHIBIT A-6**

	12/31/95-12/31/96	1/1/97 - 3/10/97
Beginning Number of Branches	277	594
Branches Opened	1	0
Branches Acquired	341	0
Branches Consolidated	(25)	(15)
Net Change	317	(15)
Ending Number of Branches	<b>594</b>	<b>579</b>

Exhibits A-7 through A-10 show the number of Chase full service branches in each MSA and non-MSA area for each of the states or territories in which the bank operates, as of March 10, 1997. Chase’s office in Puerto Rico is a middle market business office and is not considered a full service retail branch.

**EXHIBIT A-7**  
**NUMBER OF CHASE FULL SERVICE BRANCHES BY MSA AND NON-MSA AREA**  
**STATE OF NEW YORK**

MSA or Non-MSA Area	Number of Branches	Number of Branches in Low- and Moderate - Income Census Tracts
MSA 5600 (New York)	316	76
MSA 5380 (Nassau-Suffolk)	91	11
MSA 6840 (Rochester)	31	6
MSA 8160 (Syracuse)	15	3
MSA 0960 (Binghamton)	12	7
MSA 3610 (Jamestown)	8	1
MSA 1280 (Buffalo-Niagara Falls)	6	2
MSA 5660 (Orange)	1	0
Non-MSA (Steuben County)	2	0
<b>TOTALS</b>	<b>482</b>	<b>106</b>

**EXHIBIT A-8**  
**NUMBER OF CHASE FULL SERVICE BRANCHES BY MSA**  
**STATE OF CONNECTICUT**

MSA	Number of Branches	Number of Branches in Low- and Moderate- Income Census Tracts
MSA 1160 (Bridgeport)	19	4
MSA 8040 (Stamford-Norwalk)	13	3
MSA 8880 (Waterbury)	6	1
MSA 1930 (Danbury)	5	2
MSA 5480 (New Haven-Meriden)	4	1
MSA 3280 (Hartford)	2	1
<b>TOTALS</b>	<b>49</b>	<b>12</b>

**EXHIBIT A-9**  
**NUMBER OF CHASE FULL SERVICE BRANCHES BY MSA**  
**STATE OF NEW JERSEY**

MSA	Number of Branches	Number of Branches in Low- and Moderate-Income Census Tracts
MSA 5640 (Newark)	24	0
MSA 0875 (Bergen-Passaic)	16	3
<b>TOTALS</b>	<b>40</b>	<b>3</b>

**EXHIBIT A-10**  
**NUMBER OF CHASE FULL SERVICE BRANCHES BY NON-MSA AREAS**  
**U S VIRGIN ISLANDS**

Non-MSA Area	Number of Branches	Number of Branches in Low- and Moderate-Income Census Tracts
St. Thomas (USVI)	4	1
St. Croix (USVI)	2	1
St. John (USVI)	1	0
<b>TOTALS</b>	<b>7</b>	<b>2</b>

Chase branch closing policy is adequate and conforms to the Joint Interagency Policy Statement Regarding Branch Closings. Completed and announced consolidations are consistent with the bank's policy and the public announcement at the time of the merger application between Chemical Bank and The Chase Manhattan Bank, N.A. relative to the consolidation of low-and moderate-income branches, except for two situations.

The first instance relates to a branch relocation in Queens. The public announcement identified seven branch locations in the low- and moderate-income census tracts of New York City that would be consolidated as a result of the then pending merger. The office at 55-60 Myrtle Avenue was to remain open; however, after an assessment of the physical structure of the branch, management determined it was more feasible to relocate the office than to refurbish the existing site. The relocation moved the office from 55-60 Myrtle Avenue, a moderate-income census tract location to 60-67 Myrtle Avenue, a middle-income census tract location,

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (Cont.)

a distance of approximately eight blocks. The 60-67 Myrtle Avenue facility is a new location that was acquired and refurbished by Chase. This relocation was not part of the initial announcement of changes in New York's low- and moderate-income census tract branch locations.

In the second instance, in a press release issued March 20, 1997, noted a change in the previously announced plan to consolidate an office in the Riverdale section of the Bronx. Upon further evaluation of the facilities, management determined it was more feasible to maintain and renovate the office at 5581 Broadway, located in a middle-income census tract, rather than maintain the location at 5560 Broadway, located in a moderate-income census tract. These offices are located diagonally across the street from each other, a distance of approximately 500 feet. Previously, management announced that the 5560 Broadway location would remain. This consolidation was also not part of the original announcement relative to changes in New York City low- and moderate-income census tract branch locations.

Based on the proximity of the new or surviving branches and the continued availability of all banking services, it does not appear that customers, particularly those in low- and moderate-income communities, have been adversely impacted by any of the bank's branch consolidations or relocations.

## III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor B - the extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.**

Chase has an outstanding marketing program which employs various advertising media to effectively reach consumers throughout its delineated community, including low- and moderate-income areas. Print and television media are the bank's foremost advertising media. In addition, Chase participates extensively in home-buyer and business seminars to promote its credit products. At these seminars, Chase provides not only information on its credit products, but also valuable home-buying and small business advice to potential applicants. Chase's 1996 marketing efforts focused primarily on the merger between The Chase Manhattan Bank, N.A. and Chemical Bank. The bank's marketing strategy highlighted the following: (1) the Chase Brand -- "Chase as the consumer's full service bank which cares about its communities," and (2) remote banking, such as ATM, online banking, telephone banking, and bank by mail. Chase advertised its affordable mortgage loan products and small business loan products extensively in various ethnic news publications. Chase's Business Resource Center is a comprehensive and valuable resource for current and prospective small business owners seeking advice on how to apply for credit and how to operate their businesses successfully.

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor I - the institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.**

#### **Residential Mortgage, Home Improvement, and Consumer Loan Products**

Chase offers a broad range of residential and consumer lending products to its delineated community in the tri-state area and upstate New York. Chase's residential lending products include purchase, construction, rehabilitation, refinance, home improvement, and home equity loans. Chase's consumer lending products include personal loans, cash reserve credit lines, installment loans, credit cards, automobile loans, recreational vehicle loans, auto finance leasing, and student loans.

In the U.S. Virgin Islands, Chase's residential and consumer lending products include personal loans, home construction loans, residential mortgages, loans for the purchase of vacant land, condominium mortgages, home equity loans and lines of credit, automobile loans, student education loans, cash reserve lines of credit, credit cards, FHA/VA loan financing, Rural Development Services loan financing, and insurance premium financing.

In Puerto Rico, Chase offers loan products targeted to the middle market and government sectors. Chase affiliates also offer consumer lending products such as education loans and credit cards. These consumer lending products are not offered at the San Juan branch. Consumers may apply for Chase credit cards issued by an affiliate through the Chase 800 customer service number and for student loans through college financial aide offices. Chase does not offer consumer mortgages in Puerto Rico.

Chase's residential lending products include numerous affordable mortgage products with flexible underwriting criteria to meet the residential credit needs of both minority borrowers and borrowers in low- and moderate-income neighborhoods. In order to ensure the consistent application of its credit policies and procedures, both the bank and the Chase Manhattan Mortgage Corporation ("CMMC"), Chase's national mortgage subsidiary, conduct a multiple review process of its residential mortgage applications. Additional review is also conducted on rejected loan applications to purchase property in low- and moderate-income census tracts. Chase considers such applications for inclusion in a special loan pool with more flexible underwriting criteria. This loan pool is kept in portfolio.

Chase offers a multifamily mortgage loan product, a mixed-use property mortgage loan product, and a no-income-verification mortgage product in the tri-state area. These products have no income limits for borrowers, but are structured to promote the purchase of properties in low- and moderate-income census tracts.

In 1995, Chemical began a loan pilot initiative called the Home Secured Innovative Home Equity "L" Pilot Process. Targeted to low- and moderate-income applicants within the tri-state area who have been denied home equity loans as a result of high debt to income ratios, this program reconsiders an applicant

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)

with a good credit history and 30 percent equity in the home. In the first quarter of 1997, Chase began offering a modified version of this product to include the use of a credit scoring system and risk-based pricing for the home equity loans.

Chase also offers the Early Intervention Program, a credit monitoring program, for mortgage customers who fall behind in their payments. Developed originally by Chemical Bank and currently administered by Chase's Affordable Mortgage Unit, this program provides follow-up measures, which may consist of modifying the original loan terms, developing a repayment plan, planning a budget or making a refund to a consumer credit counseling agency.

#### **SPECIAL CREDIT PROGRAMS**

##### **Residential Real Estate Lending**

Chase offers numerous affordable mortgage products and home improvement loan products designed specifically to meet the needs of low- and moderate-income borrowers. A majority of these mortgage products are offered throughout the tri-state portion of Chase's delineation, although some are targeted to Chase's delineated communities in Connecticut, New Jersey or Syracuse. See page 25 for description of Chase's residential lending products in the U.S. Virgin Islands. The residential mortgage products available throughout the bank's tri-state delineation include the following:

- the Chase Neighbor to Neighbor 97% Risk Share product (kept in the bank's portfolio);
- the Dreammaker/Neighborhood Homebuyers Mortgage group of affordable mortgage products;
- certain mortgage products offered in affiliation with the Association of Community Organizations for Reform NOW ("ACORN");
- the Low- to Moderate-Income Housing Grant portfolio product;
- the Affirmative Mortgage Program;
- the Community Home Improvement Program ("CHIP").

The Neighbor to Neighbor ACORN portfolio product is designed specifically for properties in low- and moderate-income census tracts in the tri-state area. Some affordable mortgage products and home improvement loan products are limited to properties within the five boroughs of New York City. The loan products offered specifically for New York City properties include the following:

- the Neighbor to Neighbor New York Mortgage Coalition Agency product;
- the New York City Cooperative Program (a Fannie Mae loan program);
- Chase's Home Improvement Program ("HIP").

In addition, variations of some of these products have been tailored to the needs of specific communities. For example, the Syracuse Housing Partnership Grant program and the Time of Jubilee Grant program portfolio product are targeted to the Syracuse, N.Y. area. The Acorn Condominium/Cooperative program is targeted to the Bridgeport, Connecticut area. Chase also offers a Dreammaker mortgage

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)

product targeted to the Hartford, Connecticut area. In New Jersey, Chase offers home buyers the N.J. Affordable Mortgage Program.

Chase also offers the Chase Assisted Settlement for Homebuyers loan (“CASH”) and the Neighborhood Housing Services’ (NHS) CASH loan programs, which provide financing for the closing costs and/or a portion of a borrower’s down payment. These loan products may be used in conjunction with most CDG products including the Dreamaker/Neighborhood Homebuyers Mortgage products and Chase Neighbor to Neighbor 97% Risk Share portfolio product. The CASH loan program is available within Chase’s tri-state and upstate New York delineation. The NHS CASH loan program is available only within the five boroughs of New York City. From 1996 to the first quarter of 1997, Chase originated 42 CASH and NHS CASH loans for loan amounts ranging between \$10 thousand and 15 thousand.

To assist low- and moderate-income borrowers, the affordable mortgage products include flexible lending options such as low down payments of 3 percent to 5 percent, loan-to-value ratios of up to 97 percent, household income limits of 80 to 170 percent of the HUD median income, depending on the cost of living in the MSA, a variety of eligible property types such as one- to three-unit properties, condominium, cooperatives, and planned urban developments (“PUDs”), with terms ranging from 15 to 30 years. Several affordable mortgage products, such as the Low - to Moderate-Income Housing Grant portfolio product require a down payment of only \$500 and allow a maximum household income based on family size. The Acorn Bridgeport and House Hartford programs, targeted to specific areas of Connecticut, offer loan-to-value (“LTV”) ratios of at least 90 percent and down payments as low as 5 percent. The N.J. Affordable Mortgage Program offers terms of up to 30 years for 1- and 2-family houses, condominiums, and PUDs, and requires only a 5 percent down payment, with only 3 percent required from the borrower’s own funds. Chase’s affordable mortgage products generally require the borrower to complete a home-buyer education course.

Chase’s Neighbor to Neighbor 97% Risk Share portfolio product is of special note because it is targeted to low- and moderate-income borrowers purchasing properties in both low- and moderate-income and non-low- and moderate-income census tracts, requires a down payment of only three percent, one percent of which must come from the borrower’s own funds. The applicant’s income may not exceed 120 percent of the HUD median income for properties inside low- and moderate-income census tracts, and 80 percent of the HUD median income for properties outside low- and moderate-income census tracts. The New York City MSA is an exception; there the income limit is 170 percent for properties inside low- and moderate-income areas, and 115 percent for properties in non-low- and moderate-income areas. The maximum loan-to-value ratio for 1- and 2-unit properties, condominiums, and PUDs is 97 percent. Projects must meet Fannie Mae criteria. This loan product is only one available for a term of 30 years and is offered in partnership with United Guarantee.

Chase’s Affirmative Mortgage Program is a special program which provides consideration for an affordable mortgage product to mortgage loan applicants who were initially declined by the bank. This program considers those seeking to purchase residences in low- and moderate-income census tracts. Under the program, the bank will consider an applicant with a blemished credit history or no credit history, including no alternative credit history such as rent and utility bill receipts. The program requires two years of consistent employment with at least one year with the applicant’s current employer, but



### **III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)**

permits frequent changes in an applicant's choice of occupation and within an applicant's field of employment. Chase provides this flexibility in light of the frequent employment changes low- and moderate-income individuals may make to increase their annual salary. One- to four-family houses, cooperatives, and condominiums qualify for this product.

#### **UNITED STATES VIRGIN ISLANDS ("USVI")**

Chase has tailored its mortgage products to the needs of USVI residents. For example, in response to damage to homes by Hurricane Marilyn, Chase introduced the "As Is" Mortgage for the purchase and rehabilitation of such homes. This mortgage product requires less documentation than an FHA purchase/rehabilitation product. In response to the low availability of homes for USVI's middle-income residents, Chase provided construction and permanent mortgage financing for the development of 11 homes known as the Estate Wintberg Project. For those borrowers who cannot afford the average 20 percent down payment for a conventional mortgage, Chase offers a 95 percent LTV mortgage. For those USVI residents unable to meet Chase's regular credit card requirements, Chase offers a fully secured Visa credit card with a minimum credit line of \$300. Once the secured card holder re-establishes a satisfactory two-year credit history and completes a credit counseling program, the card holder may qualify for an unsecured credit card.

#### **BUSINESS LENDING**

Chase offers a broad variety of business lending products in its delineated community. Chase's business lending products include primarily business installment loans, business revolving credit, working capital loans, asset-based financing, and letters of credit.

Chase's Commercial Lending Unit conducts the Second Chance Program, which reviews declined applicants referred by the Commercial and Professional Banking Group. This program is the Commercial Lending Unit's second most important source of referrals following the branch system, with 23 percent of total loans closed in 1996 referred through the Second Chance Program.

### **III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)**

#### **Small Business Lending**

CDG's (Community Development Group) Commercial Lending Unit offers a number of credit products to small businesses which need unconventional financing such as government guaranteed loans. The Commercial Lending Unit focuses on MWBEs and/or small businesses in low- and moderate-income areas. This unit also specializes in lending to smaller not-for-profit organizations. The CPBG (Commercial and Professional Banking Group) also offers these credit products to more established small businesses.

Chase offers innovative small business loan products specifically designed for MWBEs and/or small businesses in low- and moderate-income areas. Eligible small business borrowers include food and clothing stores, construction companies, and small manufacturers. These small business loan products include the following: the CAN\*DO (Chase Access Network for Development Opportunities), Small Retailers' Lending Program, and Supermarket Financing Program. Loan amounts range from \$25 thousand to \$500 thousand. See Assessment Factor J for a detailed summary of Chase's governmentally insured, guaranteed, or subsidized small business loan programs. Small businesses have utilized these loan products for capital improvements, working capital, bridge financing, and real estate and equipment purchases.

Chase's CAN\*DO program is of special note because its flexible and innovative lending criteria offers small business borrowers a "character lending" program with reduced equity requirements compared to conventional credit requirements. The borrower must have a minimum of three years of business operations, be referred by a Chase branch manager or community-based organization with whom Chase has a relationship, and agree to obtain technical assistance.

Chase's Supermarket Financing Program is an example of the bank's efforts to be flexible and innovative in financing small independently owned supermarkets. To underwrite these loans, the Commercial Lending Unit leverages an existing lending relationship with the Krasdale Company, a major supermarket wholesaler. Chase utilizes Krasdale's expertise about the supermarket industry and about the specific circumstances and opportunities of individual stores. Chase originated loans with SBA guarantees for the purchase of additional locations for these store owners after they demonstrated their ability to successfully operate their first store.

#### **NON-PROFIT LOAN PROGRAMS**

Chase's Non-Profit Loan Programs target non-profit organizations that serve low- and moderate-income communities and under-served communities in need of health and special education services, affordable housing for special needs populations, economic development, and arts programs. Chase especially targets smaller, community-based organizations with little capital and no endowments. Loan amounts range from \$50 thousand to \$2 million for numerous purposes including working capital, construction, renovation and/or expansion of facilities, and recapitalization of community-based loan funds.

### **III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)**

Chase's Houses of Worship Lending Program is innovative and offers loans for the expansion, renovation, and new construction of a religious institution's house of worship. Management initiated the program on the premise that such institutions often provide the basic community infrastructure. The program is available to religious institutions with significant community development programs and located in low- and moderate-income areas. Community Business Partners Loan Program is another innovative lending program which provides capital to community-based loan funds supporting economic development in low- and moderate-income communities. Targeted to intermediaries which finance small businesses and non-profit organizations, this product is specially aimed to areas of the bank's delineation in which there are no Chase branches.

From 1996 to the first quarter of 1997, Chase originated 183 loans under its various CDG (Community Development Group) non-profit loan programs for a total of \$27 million.

#### **LOAN CONSORTIA**

Chase participates in several regional loan consortia along with other local financial institutions. These loan consortia typically involve a financial intermediary, such as the Small Business Administration ("SBA") or the Long Island Lighting Company, which assists in the origination of small business credit. Chase participates in such programs in Rockland, Westchester, Nassau, Suffolk, and Hudson Counties in New York and Bergen County in New Jersey and in the cities of Syracuse, N.Y., and Paterson, N.J.

#### **BUSINESS LENDING (U.S. VIRGIN ISLANDS)**

Chase offers numerous business credit products in the USVI, including small business installment loans, revolving credit lines, commercial mortgages, letters of credit, SBA-guaranteed loans, loans guaranteed by the Small Business Development Authority ("SBDA") and business credit cards.

The small business home equity line of credit is particularly flexible and innovative because it offers borrowers the ability to use the equity in their homes to finance business expenses. With loan amounts ranging from \$25 thousand to \$250 thousand, this loan product offers flexible terms on principal and interest payments. In addition, a taxi medallion loan product enables taxi owners, who historically have had difficulty gaining access to credit as a result of their low incomes, to have access to credit by

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)

accepting the applicant's taxi medallion as collateral for the loan. Taxi medallions are marketable assets which evidence a holder's right to own and operate a taxi in the USVI. In St. Croix, owners may borrow up to \$15 thousand. This limit is \$20 thousand for the rest of the USVI.

#### **BUSINESS LENDING (PUERTO RICO)**

Chase offers real estate, construction, commercial-industrial, and government loans for the business and government sectors only. Business loans are targeted to the middle market and multi-national sectors.

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

Chase participates in numerous governmentally guaranteed or subsidized loan programs, including those of the SBA, Freddie Mac, the Federal Home Authority ("FHA"), Fannie Mae, Veterans Administration ("VA"), Farmers Home Administration ("FmHA") and the State of New York Mortgage Agency ("SONYMA"), as well as federal Stafford and Plus student loan programs. Following are details about certain Chase governmentally guaranteed or enhanced housing-related lending programs:

#### **SONYMA (State of New York Mortgage Agency) Program**

This mortgage product, available to qualified New York State low- and moderate-income borrowers, is available for the purchase of various types of homes at a below market fixed-rate of interest for terms of up to 30 years. Down payment options range from zero to two percent of the purchase price. For the zero down payment option, the borrower must contribute from his own funds an amount equal to three percent of the purchase price to closing costs.

#### **New York City Housing Partnership**

The New York City Housing Partnership refers prospective buyers of houses it produces to banks such as Chase which offer this product. This mortgage product, available for borrowers with family incomes not exceeding \$70,950, offers a maximum loan-to-value ratio of 95 percent, terms of up to 30 years, and low down payments of 5 percent, 3 percent of which must be from the borrower's own funds. The remaining two percent may come from a gift, grant, or unsecured loan. New York State and New York City provide subsidies to reduce borrowers' overall cost. The New York City Housing Partnership also conducts a home-buyer education course. This mortgage product is also available in Nassau/Suffolk and Westchester, with income limits of \$63,400 and \$66,900, respectively.

#### **Government Guaranteed Mortgages**

Chase offers FHA/VA mortgages with low down payments and 15-year and 30-year fixed terms. An FHA loan for a single-family home is available for up to \$155 thousand. The FHA one-year adjustable rate mortgage has a one percent interest rate cap per year and a five percent interest rate cap over the loan's life. The VA loans are available with a zero down payment and, with veteran's full eligibility, loan amounts of up to \$203 thousand. Chase also offers FmHA home mortgages. The Dreamaker family of

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)

mortgage products are underwritten in accordance with Fannie Mae and Freddie Mac guidelines for sale to these entities.

#### **Tax Advantaged Installment Loan (“TAIL”)**

This loan product is targeted to several New York state-supported affordable housing cooperative projects-including Co-op City and Concourse Village, which are located in the Bronx. Targeted to Low- and moderate-income borrowers interested in becoming homeowners in these cooperatives, this installment loan product offers 100 percent financing of the purchase with loan amounts of up to \$15 thousand, a 10.9 percent interest rate, and terms of up to 7 years. There are no appraisal fees, mortgage filing fees, or legal costs. The loan is secured by the borrower’s shares in the cooperative. This loan program’s tax advantage is that the loan interest, like that of interest paid on a mortgage, is deductible from the borrower’s annual income. Chase is the sole lender for these projects.

#### **FHA’s 203K Program**

Chase, through its national mortgage subsidiary and its branch network, offers FHA’s 203(k) mortgage loan product. This loan product finances both the acquisition and rehabilitation of a borrower’s property which is in need of repair or modernization. The mortgage loan amount is based on the projected value of the property when the rehabilitation work is completed, taking into account the cost of the rehabilitation. One- to four-family dwellings are eligible properties. The loan product can be used to convert a one-family dwelling to a two-, three-, or four-family dwelling. A multi-unit dwelling may also be converted to a one- to four-family unit. This product became available in New Jersey in May of 1997 and throughout the rest of the bank’s delineation during the third quarter of 1997.

### **GOVERNMENT INSURED or ENHANCED SMALL BUSINESS LENDING**

#### **SBA Programs**

Chase offers SBA-guaranteed loans in both its tri-state markets and the U.S. Virgin Islands. Chase is an SBA “Preferred Lender” in New York; this, for an applicant, means that Chase can offer quick turnaround time once a complete SBA loan application has been received from the applicant. The majority of SBA lending occurs outside the CDG (Community Development Group) with the CPBG (Commercial and Professional Banking Group). Chase offers a variety of SBA credit enhancement programs such as FA\$TRAK, LowDoc, “7A” (term loan program), CAPline (line of credit program), and “504” (commercial mortgages).

The SBA FA\$TRAK program is of special note because it provides the fastest turnaround possible for SBA-guaranteed programs. Chase is one of only a few lenders nationwide chosen to participate in this loan program. Under FA\$TRAK, Chase is permitted to use its own lending products, its own credit criteria, and its own documents to originate SBA loans. Offering terms of up to 8 years and loan amounts of up to \$100 thousand, FA\$TRAK loan purposes include working capital and the purchase/rehabilitation of 100 percent owner-occupied real estate.

### **III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)**

Chase's SBA LowDoc loan offers the same features as FA\$TRAK but requires less documentation to complete the SBA guarantee and focuses on the borrower's character, experience, and personal credit history. Chase is also a participating lender in the SBA Minority Pre-Qualification Pilot Loan Program, which offers pre-qualification of minority-owned businesses for an SBA guarantee. Once such a guarantee is received, a minority-owned business may apply to a participating lender for an SBA loan.

#### **NEW YORK CITY SMALL BUSINESS CAPITAL ACCESS PROGRAM, formerly the SMALL BUSINESS RESERVE FUND**

This New York City Economic Development Corporation loan fund allows participating lenders such as Chase to originate loans to small businesses and not-for-profit organizations for several purposes, including property acquisition, inventory, and capital. Chase uses this fund primarily to address the working capital needs of small businesses and not-for-profit organizations which need to accelerate collection of receivables. Loan amounts may range up to \$500 thousand.

#### **OTHER REGIONAL CREDIT ENHANCEMENT PROGRAMS**

Chase participates in several credit enhancement programs offered by local government entities. The programs facilitate a small business borrower's access to credit if the borrower's financial strength is insufficient to secure the loan. These programs are offered by the Empire State Development Corporation, the Connecticut Development Authority's Urban Lending Program ("URBANK"), and the New Jersey Economic Development Authority. Depending on the program, credit enhancements may be for loan amounts between \$25 thousand to \$500 thousand. Interest rates vary by loan program and by the borrower's ability to repay the loan.

#### **CONNECTICUT**

Chase offers a mortgage product called the Connecticut Housing Finance Authority ("CHFA") Bond Program which offers FHA/VA features with a below-market interest rate from CHFA. Income and sales price limits vary by county, town, or city. Another Chase-offered CHFA program is the Homeownership Program, which assists those living in government assisted housing (i.e., Section 8 rent assisted housing) to purchase homes at substantially reduced interest rates with full financing of down payment and closing costs. Another CHFA product is the Down Payment Assistance Payment Program, which offers down payment and closing cost loans for borrowers in urban areas who have \$3 thousand or less available in post-closing reserves.

### **III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED (Cont.)**

#### **NEW JERSEY**

Chase offers the New Jersey Housing and Mortgage Finance Agency's First Time Home Buyers Mortgage, which offers low- and moderate-income borrowers a low interest rate funded by the New Jersey Housing and Mortgage Finance Agency and a down payment of only 5 percent.

#### **UNITED STATES VIRGIN ISLANDS**

Chase offers several government sponsored loan products in the USVI, such as Rural Development Services ("RDS") Loans, and SBA Loans. In addition, Chase is lead mortgage originator for the VIHFA (Virgin Island Housing Finance Authority) Mortgage Bond Program, which finances affordable housing. This product offers applicants a below-market interest rate. For certain qualifying developments, federal or local grants may be available.

RDS loans offer borrowers residential mortgages guaranteed by RDS. Although Chase originates SBA Loans in the USVI, its SBA lending opportunities and loan volume have significantly decreased as a result of the SBA's own direct lending program, initiated as a result of hurricane damage which occurred in 1995 and 1996.

#### **PUERTO RICO**

During 1996, Chase originated 4 thousand government guaranteed student loans for a total of \$16 million.

EXHIBIT A-11

<b>New York Affordable Mortgage Programs*</b>				
Mortgage Product	Originations 1996		Originations 1/1/97-3/31/97	
	#	\$ (000s)	#	\$ (000s)
Dreamaker 15-year term, 95% & 97% LTV Product**	35	2,591	10	853
Dreamaker 30-year term, 95% & 97% LTV Product**	603	85,782	159	24,368
Dreamaker Plus, 20- to 30-year term, 95% & 97% LTV Product	97	11,326	20	2,491
Neighbor to Neighbor 97% Risk Share Portfolio Product	24	1,370	9	650
Neighbor to Neighbor 15- to 30-year term ACORN	0	0	3	431
Low-to-Moderate Income Housing Grant Portfolio Product***	24	1,400	1	38
Syracuse Housing Partnership Grant Portfolio Product***	12	600	0	0
Time of Jubilee Grant Program Portfolio Product***	4	195	0	0
\$500 Down Mortgage Product, offered only in Upstate NY***	91	5,363	2	30
Affirmative Mortgage Program	39	5,804	25	4,908
<b>Totals</b>	<b>929</b>	<b>114,431</b>	<b>229</b>	<b>33,769</b>

\* Originations are statewide and may include originations outside the bank's assessment area.

\*\* Originations include other affordable mortgage/home improvement products such as the NYC Mortgage Coalition, NYC Housing Partnership, and CHIP Loans.

\*\*\* Originally Chase NA products, included for their flexible down payment requirement. The \$500 down mortgage product has been replaced by the 97% Risk Share Portfolio Product.



EXHIBIT A-12

<b>New Jersey Affordable Mortgage Programs*</b>				
Mortgage Product	Originations 1996		Originations 1/1/97-3/31/97	
	#	\$ (000s)	#	\$ (000s)
Dreamaker 15-year term, 95% & 97% LTV Product**	2	196	1	25
Dreamaker 30-year term, 95% & 97% LTV Product**	94	10,446	17	2,045
Dreamaker Plus, 20- to 30-year term, 95% & 97% LTV Product	30	2,832	11	1,191
Neighbor to Neighbor 97% Risk Share Portfolio Product	1	84	1	124
Neighbor to Neighbor 15- to 30-year term ACORN	0	0	3	385
Affirmative Mortgage Program	28	2,535	10	948
<b>Totals</b>	<b>155</b>	<b>16,093</b>	<b>43</b>	<b>4,718</b>

\* Originations are statewide and may include originations outside the bank's assessment area.

\*\* Originations include CHIP Loans.

EXHIBIT A-13

<b>Connecticut Affordable Mortgage Programs*</b>				
Mortgage Product	Originations 1996		Originations 1/1/97-3/31/97	
	#	\$ (000s)	#	\$ (000s)
Dreamaker 15-year term, 95% & 97% LTV Product**	1	34	0	0
Dreamaker 30-year term, 95% & 97% LTV Product**	22	2,470	2	130
Dreamaker Plus, 20- to 30-year terms, 95% & 97 % LTV Product	11	1,264	0	0
Neighbor to Neighbor ACORN 15- to 30-year term	3	67	2	99
Affirmative Mortgage Program	2	121	0	0
ACORN Bridgeport, CT Condo/Co-op Program	1	28	1	7
<b>Totals</b>	<b>40</b>	<b>3,984</b>	<b>5</b>	<b>236</b>

\* Originations are statewide and may include originations outside the bank's assessment area.

\*\* Originations include CHIP Loans.

EXHIBIT A-14

<b>USVI Mortgage Originations and Credit Card Issuances</b>				
Mortgage/Credit Product	Originations 1996		Originations 1/1/97-3/31/97	
	#	\$ (000s)	#	\$ (000s)
"As Is" Mortgage	96	24,000	4	585
95% LTV Mortgage	9	1,600	1	123
Secured Visa Credit Card	87	88	67	29
<b>Totals</b>	<b>192</b>	<b>25,688</b>	<b>72</b>	<b>737</b>

**EXHIBIT A-15**

<b>Chase CDG Small Business Loan Programs*</b>				
	Originations 1996		Originations 1/1/97 - 3/31/97	
	#	\$ (000s)	#	\$ (000s)
CAN*DO	40	1,968	12	515
Small Retailers' Lending Program	41	2,053	9	1,316
Supermarket Financing Program	3	1,500	1	270
<b>Totals</b>	<b>84</b>	<b>5 521</b>	<b>22</b>	<b>2,101</b>

\* Small Business lending also occurs within the bank but outside the CDG.

**EXHIBIT A-16**

<b>Small Business Loan Originations in USVI</b>				
	Originations 1996		Originations 1/1/97-3/31/97	
	#	\$ (000s)	#	\$ (000s)
Small Business Home Equity Line of Credit	2	160	0	0
Taxi Medallion	48	950	3	53
<b>Totals</b>	<b>50</b>	<b>1,110</b>	<b>3</b>	<b>53</b>

EXHIBIT A-17

<b>Government Guaranteed/Enhancement Loan Programs in New York</b>						
	Originations 1995		Originations 1996		Originations 1/1/97 - 3/31/97	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
FHA*	193	16,900	207	15,982	34	3,764
VA*	54	5,238	44	4,695	1	117
FmHA*	38	2,336	63	3,632	13	749
SBA**	105	4,752	330	22,573	175	13,303
SONYMA	N/A	N/A	92	7,927	14	1,242
Student Loans***	97,567	419,061	91,274	414,976	N/A	N/A
TAIL Loans	153(A)	1,196(A)	91	792	13	144
NYC Small Business Capital Access Program	10	632	20	1,141	2	270
<b>Totals</b>	<b>98,120</b>	<b>450,115</b>	<b>92,121</b>	<b>471,718</b>	<b>252</b>	<b>19,589</b>

\* Origination figures represent statewide activity which may include originations outside the bank's assessment area.

\*\* Origination figures represent activity solely within the bank's assessment area.

\*\*\* Figures are combined Chemical Bank and Chase Manhattan Bank, NA originations and do not include HEAL/PLUS or Consolidation loans. Originations within N.Y. State are loans to a N.Y. State resident or an out-of-state resident attending school within N.Y. State.

(A) These are Chase NA originations for 1995.

**EXHIBIT A-18**

<b>Government Guaranteed/Enhanced Loan Programs in New Jersey</b>				
	Originations 1996		Originations 1/1/97 - 3/31/97	
	#	\$ (000s)	#	\$ (000s)
FHA*	302	30,477	33	3,713
VA*	77	8,881	18	2,006
FmHA*	11	876	2	178
SBA**	26	2,137	9	255
NJ Housing and Mortgage Finance Agency's First Time Home Buyers Mortgage***	31	3,060	1	105
Student Loans****	8,095	26,532	N/A	N/A
NJ Economic Development Authority	1	15	1	10
<b>Totals</b>	<b>8,543</b>	<b>71,978</b>	<b>64</b>	<b>6,267</b>

\* Origination figures represent statewide activity which may include originations outside the bank's assessment area.

\*\* Origination figures represent activity solely within the bank's assessment area.

\*\*\* Originally a Chase NA mortgage product.

\*\*\*\* Figures are combined Chemical Bank and Chase Manhattan Bank, NA originations and do not include HEAL/PLUS or Consolidation loans. Originations within N.J. State are loans to a N.J. State resident or an out-of-state resident attending school within N.J. State.

EXHIBIT A-19

<b>Government Guaranteed/Enhanced Loan Programs in Connecticut</b>				
	Originations 1996		Originations 1/1/97 - 3/31/97	
	#	\$ (000s)	#	(000s)
FHA*	753	70,072	83	7,180
VA*	166	20,013	15	1,923
FmHA*	5	473	0	0
SBA**	17	1,952	7	244
Connecticut Housing Finance Authority Bond Program	36	2869	5	375
Connecticut Authority's URBANK Program	1	18	2	90
Student Loans***	10,564	42,164	N/A****	N/A****
<b>Totals</b>	<b>11,542</b>	<b>137,561</b>	<b>112</b>	<b>9,812</b>

\* Origination figures represent statewide activity which may include originations outside the bank's assessment area.

\*\* Origination figures represent activity solely within the bank's assessment area.

\*\*\* Figures are combined Chemical Bank and Chase Manhattan Bank, NA originations and do not include HEAL/PLUS or Consolidation loans. Originations within Connecticut are loans to a Connecticut resident or an out-of-state resident attending school within Connecticut.

\*\*\*\* Loan origination data not available.

**EXHIBIT A-20**

<b>Chase CDG SBA Credit Enhancement Originations*</b>						
	Originations 1995**		Originations 1996		Originations 1/1/97 - 3/31/97	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
FA\$TRAK	16	820	60	3,106	15	796
LowDoc	7	487	22	1,204	2	65
7A(including PLP Exporting Working Capital)	6	1,266	29	5,031	11	2,120
CAPline	0	0	3	500	1	200
504	0	0	0	0	0	0
<b>Totals</b>	<b>29</b>	<b>2,573</b>	<b>114</b>	<b>9,841</b>	<b>29</b>	<b>3,181</b>

\* SBA lending which occurs within the bank outside the CDG is not included in the above figures.

\*\* 1995 Originations are Chemical Bank originations only.

**EXHIBIT A-21**

<b>USVI Government Guaranteed/Enhanced Loan Originations</b>				
	Originations 1996		Originations 1/1/97-3/31/97	
	#	\$ (000s)	#	\$ (000s)
Virgin Islands Housing Finance Authority's Mortgage Bond Program	26	2,400	7	406
Rural Development Services Loans	1	150	0	0
SBA	3	420	1	25
Student Loans*	44	47	N/A**	N/A**
<b>Totals</b>	<b>74</b>	<b>3,017</b>	<b>8</b>	<b>431</b>

\* Figures are combined Chemical Bank and Chase Manhattan Bank, NA originations and do not include HEAL/PLUS or Consolidation loans. Originations within USVI are loans to a USVI resident or non-island resident attending school within the USVI.

\*\* N/A = Loan origination data unavailable

#### IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

**Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s)**

There is no evidence of any practices intended to discourage credit applications for products that the bank offers. The bank affirmatively solicits credit applications from all segments of its communities, including low-and moderate-income areas. Senior management has in place comprehensive written policies, procedures and training programs to ensure that the bank does not discourage or pre-screen applicants.

**Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.**

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

#### V. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

**Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.**

Chase's ascertainment activities are outstanding. They are effective in identifying the credit needs of its communities. The bank has ongoing, meaningful contact with a wide variety of individuals, local groups and community-based organizations. Also, senior management regularly collects and analyzes local demographic data, and performs systematic reviews of the bank's lending performance. Subsequent to the last examination, primary ascertainment methods were those used in connection with the various activities of the CDG (Community Development Group) and the Community Advisory Board, and a pre-merger survey conducted in conjunction with the merger of the Chase Manhattan Bank, N.A. and Chemical Bank. The CDG is described in detail beginning on page 140. Other supplementary information was obtained from smaller scale surveys, research studies, regular business activities, and lists of Chase officer memberships on boards of various community organizations.

**Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

Board of director participation in the CRA process is outstanding. The board of directors and senior management are an integral part of Chase's CRA programs and activities. They exercise active policy



**V. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS (Cont.)**

oversight and perform regular self-assessments. CDG has primary responsibility for CRA compliance. CRA-related information is communicated to management as well as to different areas of the bank through various committees and internal reports and correspondence. In addition to the board of directors and its Public Policy and Trust Subcommittee, these committees include the CRA Policy Committee, CDG Management Committee, Board of Directors of Chase Community Development Corporation, (formerly Chemical Community Development, Inc)., Mortgage Performance Committee, and Fair Lending Policy Committee.

## NEW YORK STATE

### CRA RATING FOR NEW YORK STATE: *OUTSTANDING*

Chase's level of compliance with the Community Reinvestment Act in New York State is assessed as "Outstanding." Bank management has demonstrated a significant commitment to CRA through substantial participation in innovative community development projects and programs that support both affordable housing and economic development in the bank's delineated community and by offering a strong line of innovative special credit products with flexible terms and criteria that support home ownership and small businesses in the low- and moderate-income areas of the community. These products have been effectively marketed to all segments of the community. Overall, mortgage and small business lending performance is satisfactory, taking into account the number of owner-occupied housing units in each geographic area and comparing performance in low- and moderate-income tracts with performance in non-low- and moderate-income tracts. Specifically, the proportion of loan applications and approvals for the geographic area per thousand owner-occupied housing units in that area ("demand-adjusted basis") was generally comparable as between low- and moderate-income census tracts and non-low- and moderate-income census tracts. In certain areas this proportion was higher for non-low- and moderate-income tracts than for low- and moderate-income tracts, but this was consistent with the credit needs of the community involved, the specific demographic characteristics of the MSA and the bank's business practices. In the upstate areas, weaknesses in the level of lending were noted.

### SCOPE OF EXAMINATION

The examination covered 1995 and 1996 and, for community development only, the first quarter of 1997 as well. For 1995, the HMDA analysis included all home purchase and refinance loans originated and purchased by Chemical Bank prior to its merger with Chase Manhattan Bank, N.A. For 1996, the analysis included all home purchase and refinance loans originated within the bank's delineation by Chemical Bank, The Chase Manhattan Bank, N.A., as well as similar loans originated by its affiliates; Chase Manhattan Mortgage Corporation and Chase Manhattan Servicing. Home improvement loans were excluded from this analysis in light of the fact that prior to September 1996, the bank opted, as permitted under Regulation C, not to collect information related to an applicant's intended use of proceeds from home equity loans and lines. Therefore, an analysis of the limited home improvement loan activity reported subsequent to September 1996 would not be indicative of the bank's overall performance.

Small business loans originated or purchased by Chemical Bank were used in the analysis of 1995 activity. For 1996, small business loans originated or purchased by Chase and its subsidiary, Chase Automotive Financing were analyzed. The definition of small business loans in Regulation BB, Section 228.12(u) refers to the definition of such loans in the instructions for preparation of the Consolidated Report of Income. These instructions define small business loans as with original amounts of \$1 million or less that have been reported in Schedule RC-C, Part 1, (1.e)(4). For purposes of this analysis, only those small business loans of \$1 million or less to businesses with gross annual revenues of \$1 million or less, based on the revenues the bank considered in making the credit decision, were considered.

For community development performance, the analysis for 1995 included the activity of Chase Manhattan Bank, N.A. and Chemical Bank that was not included in their respective prior CRA examinations. From January 1, 1996 through March 31, 1997 the analysis included activity on a combined basis from both institutions.

Performance in all MSA and non-MSA geographies in the bank's New York State delineation was reviewed as part of this examination. The analytical approach taken focused on the downstate portion of the delineation, which includes MSA 5600 (New York, NY) and MSA 5380 (Nassau-Suffolk, NY), inasmuch as this portion represents the majority of the bank's operations and the greatest concentration of population and lending opportunities, particularly in low- and moderate-income census tracts.

**DESCRIPTION OF CHASE'S OPERATIONS IN NEW YORK STATE**

***1995 Operations:***

As of December 31, 1995, the Chemical Bank branch network consisted of 277 full service retail branches in downstate New York and 8 commercial lending offices in upstate New York. The commercial lending offices generally focused on middle market lending. Therefore, an analysis on lending activity in 1995 was limited to the downstate portion of the assessment area.

Exhibit B below shows the location and number of Chemical Bank full service retail branches as of December 31, 1995. Of the total of full service retail branches, 63, or 23 percent, are in low- and moderate-income census tracts.

**Exhibit B**  
**NUMBER OF CHEMICAL BANK FULL SERVICE**  
**BRANCHES BY MSA AND COUNTY AS**  
**OF 12/31/95**

County and MSA	Number of Retail Offices	Number in Low- and Moderate- Income Census Tracts
Kings County	26	13
Bronx County	41	14
New York County	76	18
Queens County	34	6
Westchester County	18	0
Richmond County	7	1
Rockland County	6	0
<b>MSA 5600 (New York) TOTAL</b>	<b>208</b>	<b>52</b>
Suffolk County	38	8
Nassau County	31	3
<b>MSA 5380 (Nassau-Suffolk) TOTAL</b>	<b>69</b>	<b>11</b>
<b>GRAND TOTALS</b>	<b>277</b>	<b>63</b>

In 1995, the community delineation consisted of all or part of nine metropolitan statistical areas (MSAs) and included eight communities, as follows:

- C The Downstate Community: A portion of MSA 5600 (New York, NY) consisting of Bronx, Kings, New York, Queens, Richmond, Rockland and Westchester Counties and all of MSA 5380 (Nassau-Suffolk, NY), consisting of Nassau and Suffolk Counties on Long Island.
- C The Capital Community: Portions of MSA 0160 (Albany- Schenectady-Troy, NY) consisting of, in Albany County, the cities of Albany, Cohoes, Green Island and Watervliet and the towns of Guilderland, Colonie, New Scotland and Bethlehem; in Rensselaer County, the cities of Troy and Rensselaer and the towns of Schodack, East Greenbush and North Greenbush; in Schenectady County, the city of Schenectady, and the towns of Glenville, Niskayuna and Rotterdam; in Saratoga County, the cities of Saratoga Springs and Mechanicsville and the towns of Charlton, Halfmoon, Clifton Park, Waterford, Ballston, Charles, Galway, Milton, Malta, Saratoga and Stillwater.
- C The Syracuse Community: A portion of MSA 8160 (Syracuse, NY) consisting of Onondaga County.
- C The Rochester Community: A portion of MSA 6840 (Rochester, NY) consisting of Monroe County.
- C The Buffalo Community: A portion of MSA 1280 (Buffalo-Niagara Falls, NY) consisting of Erie County.
- C The Utica Community: A portion of MSA 8680 (Utica-Rome, NY) consisting of Oneida County.
- C The Elmira Community: All of MSA 2335 (Elmira, NY) consisting of Chemung County.
- C The Binghamton Community: Part of MSA 0960 (Binghamton, NY) consisting of Broome County.

There are 3,848 populated census tracts in this delineation, of which 1,102 census tracts, or 29 percent, are low- and moderate-income tracts. Total population within the delineation is approximately 14.3 million, of which 28 percent, or 4 million, live in low- and moderate-income census tracts.

***1996 Operations:***

On July 14, 1996 Chemical Bank merged with Chase, Manhattan Bank, N.A., retaining the Chase name and acquiring the Chase Manhattan Bank, N.A. branch network. Consequently, on March 10, 1997, the bank operated 482 full service retail branches, 57 remote automated teller machine (ATM) locations, 16 business/private banking locations and 13 middle market/commercial lending offices in New York State. Of the full service retail branches, 106, or 22 percent, were located in low- and moderate-income census tracts.

Generally, business/private banking centers and middle market/commercial lending offices are located in areas near designated full service retail branches, but in MSA 0160 (Albany-Schenectady-Troy, NY), MSA 8680 (Utica-Rome, NY) and MSA 2335 (Elmira, NY) the middle market offices represent the only Chase presence in the area. Neither the business/private banking centers or the middle market/commercial lending offices provide full retail banking services.

The bank also operated 16 “Checks-To-Cash Club” offices as of March 10, 1997. These offices provide check cashing and related ancillary services such as money orders and utility payments to non-Chase customers for a fee.

Exhibit B-1, on the following page, shows the location of the bank’s full service retail branches in New York State as of March 10, 1997. The 482 branches in the State of New York represent 84 percent of the total number of branches in the bank’s overall delineation.

Exhibit B-1

**NUMBER OF CHASE FULL SERVICE BRANCHES BY COUNTY AND MSA**

County and MSA	Number of Retail Offices	Number in Low- and Moderate-Income Census Tracts
Kings County	52	20
Bronx County	36	17
New York County	109	28
Queens County	61	10
Westchester County	40	0
Richmond County	11	1
Rockland County	6	0
Putnam County	1	0
<b>MSA 5600 (New York) TOTAL</b>	<b>316</b>	<b>76</b>
Suffolk County	46	8
Nassau County	45	3
<b>MSA 5380 (Nassau-Suffolk) TOTAL</b>	<b>91</b>	<b>11</b>
Orange County	1	0
<b>MSA 5660 (Orange) TOTAL</b>	<b>1</b>	<b>0</b>
Erie County	6	2
<b>MSA 1280 (Buffalo-Niagara Falls) TOTAL</b>	<b>6</b>	<b>2</b>
Monroe County	28	6
Ontario County	1	0
Wayne County	2	0
<b>MSA 6840 (Rochester) TOTAL</b>	<b>31</b>	<b>6</b>
Madison County	1	1
Onondaga County	13	2
Oswego County	1	0
<b>MSA 8160 (Syracuse) TOTAL</b>	<b>15</b>	<b>3</b>
Broome County	11	7
Tioga County	1	0
<b>MSA 0960 (Binghamton) TOTAL</b>	<b>12</b>	<b>7</b>
Chautauqua County	8	1
<b>MSA 3610 (Jamestown) TOTAL</b>	<b>8</b>	<b>1</b>
Steuben County	2	0
<b>NON-MSA AREA TOTAL</b>	<b>2</b>	<b>0</b>
<b>NEW YORK STATE TOTALS</b>	<b>482</b>	<b>106</b>

In addition, the bank's delineated community was expanded as a result of the merger. Primary changes included the addition of: MSA 3610 (Jamestown, NY), a portion of Steuben County (in a non-MSA), a portion of MSA 5660 (Newburgh, NY-PA) and Putnam County in MSA 5600 (New York, NY). The expanded delineation, which includes all or portions of 11 MSAs and one non-MSA county, includes all the geographic areas served by Chemical Bank and The Chase Manhattan Bank, N.A. prior to the merger.

There are eight communities included in the 1996 delineation, as follows:

- C The Downstate Community: All of MSA 5600 (New York, NY), consisting of Bronx, Kings, New York, Queens, Richmond, Rockland, Westchester and Putnam Counties; all of MSA 5380 (Nassau-Suffolk, NY), consisting of Nassau and Suffolk Counties on Long Island, and a portion of MSA 5660 (Newburgh, NY-PA) consisting of the town of Monroe in Orange County.
- C The Capital District: Portions of MSA 0160 (Albany- Schenectady-Troy, NY) consisting of portions of, in Albany County, the cities of Albany, Cohoes, Green Island and Watervliet and the towns of Guilderland, Colonie, New Scotland and Bethlehem; in Rensselaer County, the cities of Troy and Rensselaer and the towns of Schodack, East Greenbush and North Greenbush; in Schenectady County, the city of Schenectady and towns of Glenville, Niskayuna and Rotterdam; in Saratoga County, the cities of Saratoga Springs and Mechanicsville and the towns of Charlton, Halfmoon, Clifton Park, Waterford, Ballston, Charles, Galway, Milton, Malta, Saratoga and Stillwater.
- C The Binghamton Community: A portion of MSA 0960 (Binghamton, NY) consisting of all of Broome County and the southern portion of Tioga County including the contiguous townships of Newark Valley and Oswego.
- C The Chemung/Corning Community: All of MSA 2335 (Elmira, NY), consisting of Chemung County and some non- MSA portions of southeastern Steuben County including the towns of Adison, Cambel, Corning, Caton, Erwin, Hornby and Lindley.
- C The Syracuse/Utica Community: A portion of MSA 8160 (Syracuse, NY) consisting of all of Onondaga County and the western portion of Oswego County including the towns of Fulton, Minetto, Hanibal, Granby, Oswego, Scriba, Schroepfel and Volney; the northern portion of Madison County including the towns of Casanova, Fenner, Lenox, Lincoln, Oneida, Stockbridge and Sullivan and; a portion of MSA 8680 (Utica-Rome, NY) consisting of all of Oneida County.
- C The Rochester Community: A portion of MSA 6840 (Rochester, NY) consisting of all of Monroe County; the western half of Wayne County, including the contiguous townships of Macedon, Marion, Ontario, Palmyr, Sodus, Walworth and Williamson; and the central portion of Ontario County including the contiguous townships of Canandaigua, Farmington, Victor, Manchester, Hopewell and Graham.
- C The Jamestown Community: All of MSA 3610 (Jamestown, NY), consisting of Chautauqua County.
- C The Buffalo Community: A portion of MSA 1280 (Buffalo-Niagara Falls, NY) consisting of Erie County.

There are 3,983 populated census tracts or block numbering areas in the New York State delineation, of which 1,117, or 28 percent, are considered low- and moderate-income census tracts. Total population within the delineation approximates 15 million, of which about 4.1 million, or 28 percent, reside in low- and moderate-income census tracts. There are approximately 2.7 million owner-occupied housing units in the delineation, of which 11 percent, or 307 thousand, are in low- and moderate-income census tracts.

The New York State delineation represents the largest concentration of total population and individuals living in low- and moderate-income census tracts in the bank's overall delineation. Sixty-eight percent (14,931,000 of 21,995,000) of the total population and 70 percent (4,129,000 of 5,921,700) of the total population living in low- and moderate-income census tracts are in the New York delineation. Also, the State of New York delineation contains 61 percent (307,049 of 504,600) of the entire delineation's owner-occupied housing units located in low- and moderate-income census tracts.

Additionally, the majority of small businesses in Chase's tri-state delineation are located in the New York State delineation. Seventy percent (122,370 of 174,533) of small businesses and 74 percent (387,028 of 522,327) of small businesses in low- and moderate-income census tracts are located in the New York State delineation.

Accordingly, most of Chase's banking activity occurs in the State of New York. Of total tri-state retail deposits of \$84.8 billion as of March 31, 1997, 95 percent, or \$80.9 billion, were held New York State. Also, most of the bank's lending activity was in New York State. In 1996, 77 percent (12,121 of 15,812) of home purchase and refinance loan approvals and 92 percent (6,666 of 7,222) of small business loan originations related to properties in New York State. Also, 73 percent (1,018 of 1,390) of home purchase and refinance loan approvals and 94 percent (1,396 of 1,488) of small business loan originations in low- and moderate-income census tracts related to properties in New York State.

Based on geography, Chase's New York State delineation can be divided into downstate and upstate regions. The downstate region is comprised of MSA 5600 (New York, NY), MSA 5380 (Nassau-Suffolk, NY) and MSA 5660 (Newburgh, NY-PA). The retail portion of the upstate region, where Chase operates full service retail branches, includes non-MSA Steuben County and MSA 1280 (Buffalo-Niagara Falls, NY), MSA 6840 (Rochester, NY), MSA 8160 (Syracuse, NY), MSA 0960 (Binghamton, NY), MSA 3610 and (Jamestown, NY). The non retail upstate region, where Chase operates only middle market offices, as previously discussed, consists of MSA 0160 (Albany-Schenectady-Troy, NY), MSA 2335 (Elmira, NY) and MSA 8680 (Utica-Rome, NY).

The larger part of Chase's lending in New York State is done downstate. Of home purchase and refinance loans approved in New York State, 90 percent (10,946 of 12,121) of all approvals and 83 percent (845 of 1,018) of approvals in low- and moderate-income census tracts related to properties located downstate. Regarding small business lending, 91 percent (6,098 of 6,666) of all originations and 88 percent (1,233 of 1,396) of originations in low- and moderate-income census tracts were made downstate.

This performance is reasonable, in light of the fact that Chase's primary presence is in the downstate region. Of the full service branches in New York State, 85 percent (408 of 482) are in the downstate region. Also, approximately 65 percent (37 of 57) of the remote ATM locations, 94 percent (15 of 16) of business/private banking locations and all "Checks-To-Cash Club" offices are in the downstate region. Of total New York retail deposits, approximately 94 percent (\$76 billion of \$80.9 billion) are held downstate.

The majority of owner-occupied housing units and small businesses in the New York State delineation are



located in the downstate region. The total upstate region accounts for 34 percent (935,510 of 2,712,416) of owner-occupied housing units and 24 percent (120,381 of 509,398) of small businesses. Approximately 39 percent (118,528 of 307,049) of owner-occupied housing units in low- and moderate-income census tracts are located in the overall upstate region, while 27 percent (32,536 of 122,370) of small businesses in low- and moderate-income census tracts are located there.

When only Chase's upstate retail presence is considered, the dominance of the downstate market is even more apparent. On a retail basis, the upstate region accounts for 28 percent (697,501 of 2,474,407) of owner-occupied housing units and 18 percent (86,550 of 475,567) of small businesses. In addition, on a retail basis, approximately 33 percent (92,909 of 281,430) of owner-occupied units in low- and moderate-income census tracts are located upstate, while 20 percent (22,886 of 112,720) of small businesses in such tracts are located there.

## **CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS IN NEW YORK STATE**

Overall conclusions regarding performance in New York State are based primarily on Chase's performance in the downstate portion of its delineation. Downstate New York represents the core of the bank's New York State operations. As previously discussed, 85 percent of Chase's full service retail branches (408 of 482) are located in and 94 percent of New York State retail deposits as of March 31, 1997 (\$76 billion of \$81 billion) were held in the downstate region. In the New York State delineation, the downstate region represents the greatest opportunities for community development activity as well as the largest volume of HMDA and small business lending opportunities, particularly in low- and moderate-income geographies. For more details on Chase's operations in New York State, see the preceding section.

From an analytical standpoint, the delineated portions of MSA 5660 (Newburgh, NY-PA) and the non-MSA Steuben County were not considered significant. Collectively, these areas contain less than one percent of the population and owner-occupied housing units in low- and moderate-income census tracts in the delineated portions of New York State. Additionally, the following delineated counties have low population levels and few or no owner-occupied housing units in low- and moderate-income census tracts: Rockland, Putnam, Wayne, Ontario, Oswego, Madison and Tioga. Activity in these counties was also not considered significant for purposes of this analysis.

### **I. COMMUNITY DEVELOPMENT**

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

The bank's overall community development performance in the State of New York is outstanding. Chase has devoted considerable resources and attention to identifying and addressing community development opportunities in its delineated area. Management has implemented a strategy which concentrates primarily on the downstate region, with particular emphasis on the New York City metropolitan area. This strategy is reasonable in light of the bank's business focus and concentration of its branch network and resources.

Although the overall commitment of community development dollars is outstanding, the dollar distribution varies among MSAs within the state. Some MSAs have little or no activity; nevertheless, discussions with community contacts and a review of the bank's ascertainment efforts and community

contacts revealed that the bank has attempted to provide community development support in those MSAs.

The bank's community development activity in New York State totaled \$552 million, representing 83 percent of Chase's overall community development activity. The New York State figure represents \$423 million in commitments to specific MSAs and \$129 million in statewide financing for financial intermediaries involved in affordable housing and small business development. In addition, Chase provided \$40.4 million in standby letter of credit facilities to support affordable housing in New York City, Rochester and Erie County. Included in Chase's \$552 million in total community development activity are grants and donations of \$11 million, consisting of \$6.8 million for supportive services, \$2.1 million for economic development and \$2.1 million for housing development.

Chase's strategy regarding community development is to address the most pronounced financing needs within the bank's delineations. Management's primary focus in the state has been on affordable housing construction and rehabilitation, through direct and indirect financing of projects as well through equity subscriptions in low income housing tax credits.

The community development activity in the state reflects a high degree of involvement with innovative and sometimes complex projects that provide financial support for the community's needs. The bank made 225 direct loan and investment commitments totaling \$298 million, as well as 39 commitments to third party intermediaries totaling \$254 million.

The bank's \$552 million commitment in loans and investments consisted of \$455 million (82 percent) to support affordable housing construction and rehabilitation, \$62 million (11 percent) for community service projects and \$35 million (6 percent) for economic development projects. Over 5,500 affordable housing units were built or rehabilitated as a result of Chase's project financing in the State of New York.

### **Downstate Region**

Approximately 72 percent or \$400 million of Chase's \$552 million community development commitment in New York State relates to the downstate region. The largest concentration is in MSA 5600 (New York, NY), with approximately 67 percent, or \$372 million, of total New York State community development activity. The bank made community development commitments of \$6.7 million in MSA 5660 (Newburgh, NY-PA), and \$21 million in MSA 5380 (Nassau-Suffolk, NY). Of the \$400 million in downstate community development commitments, \$322.8 million was allocated to affordable housing, \$58.6 million to community services and \$18.5 million to economic development.

### **Upstate Region**

Chase's upstate community development financing commitments totaled \$23.4 million, of which approximately \$789 thousand was in the form of grants and donations. The larger part of the total commitment was distributed geographically as follows: \$17.6 million in MSA 6840 (Rochester, NY), \$3.0 million in MSA 0160 (Albany, Schenectady and Troy, NY) and \$2.1 million in MSA 8160 (Syracuse, NY). Of the total \$23.4 million commitment, \$17.4 million was provided to support affordable housing. The allocations for supportive services and small business development were \$2.2 million and \$3.8 million, respectively. Performance upstate is generally consistent with the bank's business presence and with the community development opportunities available in these areas.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

Chase's efforts to help meet the credit needs of all portions of its New York State delineation, including low- and moderate-income areas, are satisfactory. As reflected in Exhibits B-4 through B-4c which follow, the overall level of mortgage and small business lending activity in low- and moderate-income census tracts approximates the level in non-low- and moderate-income census tracts. In most of the MSAs, performance was consistent with the overall conclusion, but on an MSA by MSA basis, performance varied somewhat by either MSA, or counties within MSAs, showing varying degrees of strength or weakness relative to lending in low- and moderate-income areas.

#### **Downstate Region**

On a demand-adjusted basis, home purchase and refinance approval activity in the low- and moderate-income census tracts of the downstate region was reasonable. In MSA 5600 (including New York, NY), approvals were somewhat higher in non-low- and moderate-income census tracts, primarily as a result of performance in New York County (Manhattan). However, when consideration was given to the bank's high penetration of the affluent condominium and cooperative mortgage markets, which consist primarily of jumbo mortgages, as discussed on page 56, applicable demographic characteristics, peer group data and community credit needs, activity in Manhattan was deemed to be appropriate. Performance in MSA 5380 (Nassau-Suffolk, NY) was good, with approvals in low- and moderate-income census tracts substantially equal to those in non- low- and moderate-income census tracts.

Demand-adjusted small business lending activity was also reasonable in both downstate MSAs. Activity in MSA 5600 (New York, NY) was good, with originations in low- and moderate-income census tracts virtually equal to those in non-low- and moderate-income census tracts. In MSA 5380 (Nassau-Suffolk, NY), originations in non-low- and moderate-income census tracts were only moderately higher than in low- and moderate-income census tracts.

#### **Upstate Region**

In the upstate region, demand-adjusted mortgage and small business activity was also reasonable. However, loan volume in the upstate region was somewhat weak. While both mortgage and small business lending activity was noted in a significant majority of the census tracts comprising the bank's delineated communities, the overall volume of loans in certain MSAs or counties was inconsistent with available lending opportunities.

In the upstate region, strong demand-adjusted mortgage lending performance was exhibited in MSA 6840 (Rochester, NY), specifically in Monroe County, and MSA 8160 (Syracuse, NY), specifically in Onondaga County. Onondaga County exhibited the strongest demand-adjusted mortgage performance in the New York State delineation. In MSA 3610 (Jamestown, NY), Chase's mortgage performance was weak, based on low loan volumes. Reasonable performance was found in the remaining MSAs that are part of the region.

Demand-adjusted small business lending performance was strong in MSA 8160 (Syracuse, NY), specifically, in Onondaga County, and MSA 0960 (Binghamton, NY), specifically, in Broome County. Demand-adjusted performance in all other MSAs in the upstate region was reasonable, with the exception of MSA 1280 (Buffalo-Niagara Falls, NY), specifically, in Erie County and MSA 3610 (Jamestown, NY). In Erie County, demand-adjusted small business loans were 1.7 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. In MSA 3610 (Jamestown, NY), performance was weak because of low loan volume.

Although statewide loan penetration was good, 1996 retail lending volumes in upstate New York were not generally consistent with lending opportunities and the bank's capacity to lend. Relative to mortgage lending, the upstate retail portion of the delineation accounted for only 1,076 mortgage approvals and 160 approvals in low- and moderate-income census tracts. For 1996 small business lending, loan originations in the upstate retail portion of the delineation accounted for only 545 origination, 156 of which were in low- and moderate-income census tracts. The upstate retail region contains 697,501 owner-occupied housing units, with 92,909, or 13 percent, of units located in low- and moderate-income census tracts. Relative to small businesses, 86,550 are found in the upstate retail market, of which 22,886, or 26 percent, are found in low- and moderate-income census tracts.

Chase has delineated portions of three MSAs in the upstate region which constitute "Middle Markets." They are MSA 0160 (Albany-Schenectady-Troy, NY), MSA 8680 (Utica-Rome, NY) and MSA 2335 (Elmira, NY). In these MSAs, Chase operates middle market commercial lending and private business banking offices. There are no full service retail branches in these delineated areas. Operations are focused on the lending needs of medium size companies and governmental entities. Requests for other forms of credit are sometimes processed on an accommodation basis, but generally are referred to other Chase operating units, such as Chase Manhattan Mortgage Corporation. Therefore, the overall volume of mortgage and small business loans in the middle market MSAs was low. This performance is reasonable in light of the bank's business focus in the MSAs, and conclusions were not drawn regarding mortgage and small business loan performance. The bank's CRA performance in the middle market MSAs is focused on community development activity.

A discussion regarding the bank's lending performance in the MSAs and the non-MSAs in the New York State delineation can be found in the next section of this report.

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

The number and location of Chase's branches are discussed in the prior section of this report-- "Description of the Institution's Operation in New York State." Chase maintains an adequate branch closing policy, which conforms to the Joint Interagency Policy Statement Regarding Branch Closings. Completed branch closings were consistent with the bank's policy. For details on the bank's branch closing policy and its implementation relative to the Chemical/Chase merger, see page 20.

All of the bank's branch consolidations since the last examination were in New York State. Exhibit B-3, which follows, shows in which county and MSA they occurred. Three of the consolidations were in low-and moderate-income census tracts, two in Bronx County and one in Queens County.

**Exhibit B-3**

<b>County and MSA</b>	<b>3/13/95 - 3/10/97</b>
Kings County	5
Bronx County	4
New York County	12
Queens County	4
Richmond County	0
Westchester County	7
Rockland County	2
Putnam County	0
<b>MSA 5600 (New York, NY) Total</b>	<b>34</b>
Suffolk County	4
Nassau County	8
<b>MSA 5380 (Nassau-Suffolk, NY) Total</b>	<b>12</b>
<b>Grand Total</b>	<b>46</b>

As of March 10, 1997, Chase notified regulatory authorities of its intention to consolidate an additional 33 offices in New York State. Six offices are middle market commercial loan offices in the upstate area and the remaining 27 are retail branches. Of the retail branch consolidations, 23 will be in MSA 5600 (New York, NY) and 4 will be in MSA 5380 (Naussau-Suffolk, NY). Five consolidations will be low- and moderate-income census tracts; four in MSA 5600 (New York, NY) and one in MSA 5380 (Nassau-Suffolk, NY).

The bank opened one new retail branch since the previous examination. It is located in a non- low- and moderate-income census tract of New York County (Manhattan).

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

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

Chase offers the State of New York Mortgage Agency Program loan product, SONYMA, to qualified borrowers seeking to purchase a home in New York State. See Assessment Factor J for more details on this loan product.

## METROPOLITAN STATISTICAL AREA (MSA) ANALYSIS

### CONCLUSIONS WITH RESPECT TO THE ASSESSMENT FACTORS THAT DEAL WITH PERFORMANCE:

Additional details regarding the bank's performance under various assessment factors at the MSA level follow:

#### *DOWNSTATE REGION*

#### MSA 5600 (NEW YORK, NY)

Chase's level of community development activity in MSA 5600 is outstanding. It represents the largest volume of community development activity in the New York State delineation as well as the bank's overall delineation. In MSA 5600 Chase's community development activity totaled \$372 million, representing 56 percent of the bank's total community development activity. Mortgage and small business lending performance is considered reasonable. There are areas of relatively low activity in low- and moderate-income tracts, especially in relation to mortgage activity in New York County (Manhattan), but performance there is consistent with the bank's business practices, specific demographic characteristics of the MSA and community credit needs. Performance in MSA 5600 has a significant impact on the overall conclusion relative to Chase's performance in New York State.

Two counties within the MSA, Rockland and Putnam, were not considered material to the demand-adjusted lending analysis because of a lack of lending opportunities in low- and moderate-income areas. There are no low- and moderate-income census tracts in Putnam County and only one in Rockland County. That tract contains only 235 owner-occupied housing units.

MSA 5600 contains the largest concentration of population in low- and moderate-income census tracts. Of the 4.1 million persons living in the low- and moderate-income census tracts/block numbering areas of the New York State delineation, 2.9 million, or 71 percent, live in MSA 5600. The MSA also contains the largest number of low- and moderate-income census tract owner-occupied housing units and small businesses. The volume of lending in this MSA represents the highest number of residential mortgage and small business loan approvals in the New York State delineation, as well as the bank's overall delineation.

#### I. COMMUNITY DEVELOPMENT

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

Chase demonstrated excellent financial support for community development programs and initiatives throughout this MSA. The bank's \$372 million commitment in MSA 5600 was comprised of 170 direct loans totaling \$253 million and \$119 million in indirect financing through intermediaries and consortia. As stated above, this \$372 million represents 56 percent of the bank's entire community development activity. Of total community development activity within this MSA, affordable housing activity represents the largest portion at \$297 million, or 80 percent; economic development financing, including financing through small business intermediaries, equals \$17 million, or 5 percent; and community service activity totals \$58 million, or 16 percent. New commitments originated in this MSA during the examination period totaled \$316 million, which represents 81 percent of the bank's total new commitments throughout the delineated portion of the state.

Affordable housing is one of the primary needs cited by community contacts in MSA 5600, with an emphasis on the need for rental units for low- and moderate-income residents. The bank's direct financing provided for the construction or rehabilitation of 3,900 units of affordable housing within the MSA, with rental units comprising 2,600 of the total.

Current demographic information and community contacts in MSA 5600 support the emphasis placed on rental opportunities for low- and moderate-income households. Over 40 percent of households earn less than 80 percent of the median family income for the MSA, while most counties in the MSA continue to sustain housing prices that are not affordable for most households. This is especially evident in the New York City area, where the median housing value is over \$207 thousand, and the median household income is \$32 thousand. The need for affordable rental housing is further evidenced by the fact that only 31 percent of the MSA's 3.4 million housing units are owner-occupied, which is considerably lower than the 48 percent level for the state. Chase's direct financing provided for the construction or rehabilitation of 1,300 owner-occupied affordable housing units in this MSA.

The bank's commitment to the New York City metropolitan area is further evidenced through its extension of six standby letters of credit totaling \$30.2 million. These letters of credit support the construction of 390 units of affordable housing throughout the city, with a 240 unit senior citizen facility located in Brooklyn representing the largest project.

In addition to addressing the affordable housing needs in this MSA, the bank also provided \$17 million in direct and indirect loans and investments for economic development. Of the \$17 million, \$5.4 million was provided for small business support through loan pools, micro-loan funds and technical assistance organizations for the benefit of all five boroughs of New York City.

## **II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

### **MORTGAGE ACTIVITY**

#### ***1995 Performance:***

Within MSA 5600, overall demand-adjusted home purchase and refinance lending activity in low- and moderate-income census tracts was satisfactory. The demand-adjusted ratio for home purchase and refinance applications and approvals was slightly stronger in non-low- and moderate-income census tracts. Strong demand-adjusted application and approval levels for low- and moderate-income tracts were noted in Bronx and Richmond Counties.

Relatively lower demand-adjusted home purchase and refinance application and approval penetration for low- and moderate-income tracts was noted in New York County. The demand-adjusted ratio for loan applications and approvals in New York County was 2.5 and 2.1 times greater, respectively in non-low- and moderate-income census tracts. This characteristic of the bank's performance in New York County was noted at the previous two examinations and appears to be the continuing result of the bank's disproportionately high lending penetration in non-low- and moderate-income census tracts. Chemical Bank was one of a limited number of lenders offering cooperative and jumbo (loan amounts of \$214,000 or more) mortgages in New York County. These products are in high demand in non-low-



## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (Cont.)

and moderate-income areas. It should be noted, however, that Chemical Bank's actual, unadjusted, lending performance in the low- and moderate-income census tracts of New York County was strong in 1995 when compared to all other HMDA-reporting lenders. Chemical Bank originated more home purchase and refinance loans in the low- and moderate-income census tracts of New York County than any other HMDA reporter.

### *1996 Performance:*

Overall mortgage loan activity in low- and moderate-income census tracts is considered satisfactory. Purchase and refinance mortgage loan volume in MSA 5600 was strong, representing the highest concentration of the bank's residential mortgage lending. Demand-adjusted penetration in low- and moderate-income tracts was relatively low; however, this performance was consistent with area credit needs, demographic characteristics of the MSA and the bank's business strategies.

On a demand-adjusted basis, the level of mortgage and refinance loan approvals was 1.6 times greater in non-low- and moderate-income census tracts. This is primarily the result of performance in New York County, where, on a demand-adjusted basis, approvals in non-low- and moderate-income census tracts exceeded those in low- and moderate-income census tracts by 3.5 times. This historical disparity in the bank's performance continues to be the result of a disproportionately high penetration in non-low- and moderate-income census tracts, as discussed above, which was intensified by the Chemical-Chase merger. Both institutions actively participated in the condominium and cooperative markets.

Actual activity in the low- and moderate-income census tracts of New York County is considered reasonable and consistent with both MSA demographics and the bank's performance in the other four urban counties comprising New York City (Bronx, Kings, Queens and Richmond). In all cases, the percentage of loan approvals in low- and moderate-income census tracts was generally consistent with the percentage of owner-occupied housing units in such tracts. Also, a comparison of ten HMDA reporters, including financial and nonfinancial institutions that represent the primary originators of mortgages in New York County, showed that Chase originated the most loans in low- and moderate-income census tracts as well as to low- and moderate-income borrowers during 1996.

Performance in Bronx, Queens, Westchester and Kings Counties was generally reasonable, with demand-adjusted approvals only moderately higher in non-low- and moderate-income census tracts. Particularly good loan penetration was noted in certain portions of the low- and moderate-income census tracts in Long Island City, Queens and the South Bronx. In Richmond County, demand-adjusted application and approval activity was moderately stronger in low- and moderate-income census tracts.

It should also be noted that affordable owner-occupied housing is only part of the identified housing needs in the urban portion of MSA 5600. There is also a pressing need for affordable rental housing since, as discussed in the Community Development section above (Assessment Factor H), housing prices in MSA 5600 are not affordable for most households. In the 5 counties of New York City, 63 percent of housing is renter occupied. That level is exceeded in the counties of Bronx, New York and Kings where renter occupancy is 79, 75 and 70 percent, respectively. Therefore, in certain communities in these counties where renter occupancy exceeds the overall level for the county, such as Hunts Point, Mott Haven, Harlem, Inwood, Chinatown, Bedford Stuyesant, and Bushwick, the bank has particularly weak home purchase and refinance loan penetration. However, as noted in previous discussions of

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (Cont.)

Chase's community development activities in MSA 5600, the bank helped to provide affordable rental housing units in New York City, through loans for the construction or rehabilitation of affordable rental units. During the examination period, projects financed by Chase helped to create almost 2,600 affordable rental housing units, half of which were located in New York County.

### SMALL BUSINESS LENDING ACTIVITY

#### *1995 Performance:*

On a demand-adjusted basis, the overall small business lending activity in low- and moderate-income census tracts was moderately strong in MSA 5600. The demand-adjusted ratio for small business loan approvals was 1.2 times stronger in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. Loan penetration was higher in the low- and moderate-income census tracts in Kings and Queens Counties. In New York County, where the majority of low- and moderate-income census tract small businesses are located, and the Bronx, the levels of loan originations in low- and moderate-income census tracts was generally equivalent to that in non-low- and moderate-income census tracts.

#### *1996 Performance:*

Within MSA 5600, the overall demand-adjusted small business lending activity in low- and moderate-income census tracts was satisfactory. The demand-adjusted ratio for small business loan approvals was minimally stronger in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. In Kings, Queens and Westchester Counties activity was generally equivalent in low- and moderate-income census tracts and non-low- and moderate-income census tracts. In New York County, which represents the majority of all small business lending in the MSA, the level of activity was slightly stronger in non-low- and moderate-income census tracts. Some weakness was noted in the bank's overall performance in the Bronx, where 56 percent of small businesses are located in low- and moderate-income census tracts. Loan originations were 1.4 times greater in non-low- and moderate census tracts than in low- and moderate-income census tracts. This weakness was most pronounced in the South Bronx.

Small business loans appeared to be well disbursed throughout low- and moderate-income census tracts in the various counties, with greater concentrations near branch locations. Chase showed particularly strong small business loan penetration in the low- and moderate-income census tracts in the Kings County neighborhoods of Coney Island, Borough Park and Williamsburg as well as the Queens County neighborhoods of Sunnyside and Astoria. Also, Chase showed good penetration of the low- and moderate-income census tracts in the Chelsea and Washington Heights neighborhoods of New York County. However, some weakness was noted in East Harlem (New York County) and the Kings County communities of Bedford Stuyvesant, Bushwick, Brownsville, and East New York, where loan penetration was somewhat low in relation to available lending opportunities.

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase offers the following loan products specifically for the New York City area: the Neighbor to Neighbor New York Mortgage Coalition Agency Product, the New York City Co-op Program, the Chase Home Improvement Program, and the NHS CASH Loan Program, and small business loan consortia in Rockland and Westchester Counties.

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

Chase offers the following government insured, guaranteed, or subsidized loan programs specifically for the New York City area: the NYC Housing Partnership, the Tax Advantaged Installment Loan ("TAIL"), the NYC Small Business Capital Access Program, and the Empire State Development Corporation.

**MSA 5380 (NASSAU-SUFFOLK, NY)**

Chase's overall performance in MSA 5380 was reasonable. Mortgage and small business loan activity was satisfactory, on a demand-adjusted basis, with generally equivalent lending in low- and moderate-income and non-low- and moderate-income census tracts.

MSA 5380 is the second largest market for Chase in its New York State delineation. Inasmuch as there is a significant number of owner-occupied housing units and small businesses in low- and moderate-income census tracts, there are substantial lending opportunities. Community contacts in Nassau and Suffolk Counties indicate that the housing market continues to be priced higher than most low- and moderate-income families can afford and that affordable housing financing continues to be a need.

Despite past economic declines due to the shrinkage of the defense industry, which was a primary employer in the area, business conditions have improved on Long Island. The unemployment rate has declined from 4.3 percent in December 1995 to 3.3 percent in December 1996. This appears to be the result of a strong growth in small businesses, many of which supply services to downsized companies remaining in the area.

**I. COMMUNITY DEVELOPMENT**

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

Chase's community development activity in MSA 5380 totaled \$21 million, \$20 million of which was for direct financing. Of the \$21 million, \$19 million, or 90 percent, was for affordable housing loans and investments and provided for the construction or rehabilitation of 511 affordable housing units, consisting of 440 owner-occupied and 71 rental units. Sixty percent, or \$12.6 million, of Chase's total community development activity in this MSA was concentrated in one loan for the construction of 438 affordable owner-occupied housing units for senior citizens. Financing in support of economic development and community service activity totaled \$1.5 and \$.5 million, respectively.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

**MORTGAGE ACTIVITY**

***1995 Performance:***

The bank's record of providing home purchase and refinance loans within low- and moderate-income census tracts was moderately weak. In both Suffolk and Nassau Counties, the demand-adjusted ratio for loan approvals was 1.7 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. Similarly, the demand-adjusted ratio for loan applications was 1.5 times greater in non-low- and moderate-income census tracts. Performance in Suffolk County reflects a downward trend since the last examination, while activity in Nassau County was reasonably consistent.

***1996 Performance:***

On a demand-adjusted basis, home purchase and refinance application and approval activity in low- and

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (Cont.)

moderate-income census tracts was strong. Overall, the level of applications and approvals were generally equivalent between low- and moderate-income and non-low- and moderate-income census tracts. Chase demonstrated good loan penetration in all census tracts in the Long Island MSA. In spite of the high housing costs in the MSA, as discussed above, loan approvals were noted in a significant majority of the low- and moderate-income census tracts in the MSA.

Community contacts stated that mortgage lending is an important credit need in MSA 5380, where approximately 80 percent of housing units are owner-occupied.

### **SMALL BUSINESS LENDING ACTIVITY**

#### ***1995 Performance:***

Within MSA 5380, Chase's small business lending activity in low- and moderate-income census tracts was generally reasonable. The overall demand-adjusted ratio for loan approvals was only moderately greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts; weakness was noted, however, in Suffolk County. In Nassau County, lending in low- and moderate-income census tracts was slightly greater than in non-low- and moderate-income census tracts. In Suffolk County, lending in non-low- and moderate-income census tracts was somewhat greater than in low- and moderate-income census tracts.

#### ***1996 Performance:***

Overall, for 1996, small business lending activity in low- and moderate-income census tracts was reasonable. The demand-adjusted ratio for loan approvals was moderately greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. Lending was most reasonable in Nassau County, where loan originations, on a demand-adjusted basis, were only 1.4 times greater in non-low- and moderate-income census tracts. In Suffolk County, however, originations were 1.7 times greater in non-low- and moderate-income census tracts.

Loan penetration was generally good in Nassau County and the western portion of Suffolk County, with the greatest volume of loans clustered around branch locations. In the eastern portion of Suffolk County, east of Route 112, loan volume declined considerably. Chase, however, has only three branches in this portion of Suffolk County.

### ***UPSTATE REGION***

#### **MSA 1280 (BUFFALO-NIAGARA FALLS, NY)**

Chase's overall performance in this MSA is considered weak. Mortgage activity in low- and moderate-income census tracts, on a demand-adjusted basis, was reasonable; however, weakness was found in residential mortgage and small business lending as a result of low loan volumes in low- and moderate-income census tracts.

MSA 1280 consists of two counties, Niagara and Erie. Chase has designated only Erie County as part of its delineated community. This delineation contains significant lending opportunities, with over 240 thousand owner-occupied housing units and 27 thousand small business establishments. Approximately 17 percent of

the owner-occupied housing units and 26 percent of the small businesses are located in low- and moderate-income geographies. This is the highest concentration of owner-occupied housing units and small businesses in low- and moderate-income geographies within the delineated upstate region.

The bank's presence in Erie County is limited to six branches. This area is dominated by two major banks that are headquartered in Buffalo and have historically strong affiliations with community-based organizations. Although Chase is not dominant in this area, local community contacts indicated that the bank has expressed interest in participating in community development initiatives. Recently, Chase became one of five banks working with the Erie County SBA and the Office of Urban Initiatives to create a start-up small business micro loan program with a special emphasis on minority-owned businesses. The bank is also developing a fund for a rural lending initiative titled "Rural Opportunities, Inc."

## **I. COMMUNITY DEVELOPMENT**

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

Community development activity in MSA 1280 totaled \$174 thousand and consisted of various grants and donations. In addition, the bank issued an \$8.9 million standby letter of credit to support a project in Buffalo which provided 167 units of affordable housing for senior citizens. Over 15 percent of Erie County's population is over the age of 65, and the City of Buffalo's consolidated plan cites affordable housing for the elderly as a primary need. (Consolidated Plans are submitted by counties and municipalities to the U.S. Department of Housing and Urban Development when applying for grants and subsidies. The plans outline community needs and present an action plan for use of the requested funds.)

## **II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

#### **MORTGAGE ACTIVITY**

On a demand-adjusted basis, purchase and refinance mortgage activity in the delineated portion of this MSA was reasonable. Approvals were virtually equivalent between low- and moderate-income census tracts and non-low- and moderate-income census tracts. Most low- and moderate-income census tracts in Erie County are concentrated in the City of Buffalo, where a substantial majority of low- and moderate-income census tract approvals occurred. Residential loan volume was considered low relative to lending opportunities in this MSA.

#### **SMALL BUSINESS LENDING ACTIVITY**

The bank's record of small business lending in the delineated portion of MSA 1280 was weak. On a demand-adjusted basis, originations in low- and moderate-income census tracts were weak and loan volume was low, in relationship to opportunities in the MSA. The delineation in MSA 1280 contains significant small business lending opportunities, as previously discussed. Lending was particularly weak in the low- and moderate-income census tracts in the City of Buffalo.

**MSA 6840 (ROCHESTER, NY)**

Overall performance in MSA 6840 is strong. Chase had a significant level of community development activity in the Rochester MSA. Mortgage activity in the MSA was moderately strong, based on good penetration in low- and moderate-income census tracts in Monroe County. Small business lending in low- and moderate-income census tracts was reasonable.

Primary reliance was placed on activity in the Monroe County portion of the delineation when reaching a conclusion regarding the bank's performance in MSA 6840, inasmuch as this portion contains the greatest number of lending opportunities in low- and moderate-income census tracts in the MSA. Only portions of Wayne and Ontario counties, also part of MSA 6840, are contained in the bank's delineation. There are only approximately 2,000 owner-occupied housing units and 456 small businesses in the low- and moderate-income census tracts of Wayne and Ontario Counties, combined. This compares with approximately 177,000 owner-occupied housing units and 23,000 small businesses in Monroe County.

In addition, the bank's branch presence in this MSA is concentrated in Monroe County, which contains 28 of the bank's 31 branches, located primarily in Rochester and the surrounding suburbs. The most current Consolidated Plan for the City of Rochester identifies the greatest need as affordable housing. The Consolidated Plan indicates that as of 1995, there were 2,722 households on the waiting list for public housing units, with 679, or 25 percent, representing demand for housing units for the elderly. The plan states that the City of Rochester and the surrounding towns that form Monroe County have a stable economy, with the services sector providing over 30 percent of the jobs in this MSA. As a result, the unemployment rate in the Rochester MSA is one of the lowest in the state.

**I. COMMUNITY DEVELOPMENT**

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

Chase's commitment to community development initiatives in MSA 6840 totaled \$17.6 million and is significant in light of the needs identified in this MSA. Community development dollars were disbursed as follows: \$12.5 million (71 percent) for affordable housing projects, \$3.5 million (20 percent) for community service financing and \$1.6 million (9 percent) for economic development financing. The bank's support of affordable housing projects resulted in the construction or rehabilitation of 410 units of housing for low- and moderate-income residents. Two of these projects, comprising \$7.5 million of the total, involved construction of 116 units for the elderly. In addition to direct and indirect loans and investments, the bank has extended 4 standby letters of credit for affordable housing projects totaling \$1.3 million.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

### **MORTGAGE ACTIVITY**

The bank's performance with regard to purchase and refinance mortgage loan activity, on a demand-adjusted basis, is considered strong in the delineated portion of this MSA. Overall, the level of applications and approvals were stronger in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. A substantial majority of the low- and moderate-income census tract loan approvals in Monroe County were in the City of Rochester, where the county's low- and moderate-income census tracts are concentrated.

### **SMALL BUSINESS LENDING ACTIVITY**

Within the delineated portion of MSA 6840, overall small business lending in low- and moderate-income census tracts was reasonable. In Monroe County, the level of demand-adjusted loans in non-low- and moderate-income census tracts was only slightly higher than those in low- and moderate-income census tracts. Penetration in the low- and moderate-income census tracts within the Inner Loop in the City of Rochester was strong. This performance weakened somewhat outside the Inner Loop; these neighborhoods, however, are generally more residential in nature, providing fewer available small business lending opportunities.

### **MSA 8160 (SYRACUSE, NY)**

Chase's overall performance in MSA 8160 is strong. Community development activity was commensurate with identified housing needs. Mortgage and small business lending activity was strong, with good penetration in low- and moderate-income census tracts.

Activity in Onondaga County was most significant in reaching a conclusion relative to Chase's performance in the Syracuse MSA, inasmuch as population, owner-occupied housing units and small businesses in the MSA are concentrated in this county. Because of low loan volumes, activity in the portions of Oswego and Madison Counties that are part of the bank's delineation were not material to the analysis. This low level of lending however, is not generally consistent with available opportunities. Combined, the delineated portions of both counties contain 30,543 owner-occupied housing units and 3,455 small businesses. Onondaga County has 113 thousand owner-occupied units and 16 thousand small business establishments.

Local community contacts cited the need for both low- income housing, particularly for senior citizens, and for very small business financing with loan amounts of less than \$5,000. These contacts noted that "availability of credit is generally not an obstacle for economic development in Syracuse. Therefore, Chase's concentration on affordable housing initiatives is deemed consistent with community needs.



## I. COMMUNITY DEVELOPMENT

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

Community development activity in the Syracuse MSA totaled \$2 million and consisted entirely of new direct financing. Grants and donations for affordable housing, economic development and community service initiatives totaled \$149 thousand. Activity within this MSA promoted affordable housing and resulted in the creation or rehabilitation of 94 units of housing for low- and moderate-income individuals and families. The largest loan, \$1.6 million, provided a permanent mortgage on a 70 unit affordable housing senior citizen center in Onondaga County.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

### MORTGAGE ACTIVITY

On a demand-adjusted basis, the bank's overall record of providing purchase and refinance mortgages in low- and moderate-income census tracts was strong in the delineated portion of this MSA. In Onondaga County, applications and approvals were at a much stronger level in low- and moderate-income census tracts. Applications were 1.9 greater, and approvals 1.7 greater, in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. Most low- and moderate-income census tracts are located in the City of Syracuse, where a substantial majority of the low- and moderate-income census tract loan approvals for the county were found.

### SMALL BUSINESS LENDING ACTIVITY

Overall, Chase's record of providing small business loans in the delineated portion of MSA 8160 was strong. Originations in Onondaga County were 1.6 times greater in low- and moderate-income census tracts than in non-low- and moderate-income tracts.

## III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase is a member of a small business loan consortium in Syracuse, New York Chase also offers the following residential mortgage products specifically within the Syracuse, New York area: the Syracuse Housing Partnership Grant Program and the Time of Jubilee Grant Program.

**MSA 0960 (BINGHAMTON, NY)**

Chase's overall performance in MSA 0960 is considered satisfactory. Based on analysis of activity in Broome County, mortgage activity was reasonable and small business lending exhibited strength, on a demand-adjusted basis, with good penetration in low- and moderate-income census tracts. However, the volume of mortgage loans in Broome County was considered somewhat weak. The portion of Tioga County included in the MSA delineation contains no low- and moderate-income census tracts and was therefore not material to the analysis. Chase has a total of 12 retail branches in this MSA, of which 11 are located in Broome County. Community contacts, particularly in Broome County, cited both affordable housing and economic development needs throughout the area.

**I. COMMUNITY DEVELOPMENT**

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

The bank's community development activity in MSA 0960 totaled \$243 thousand. Of the total commitment in this MSA, \$200 thousand represented an indirect investment and a low interest-bearing deposit supporting economic development. The balance of \$43 thousand consisted of nonrecoverable grants.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

**MORTGAGE ACTIVITY**

The level of purchase and refinance activity, on a demand-adjusted basis, was reasonable in low- and moderate-income census tracts. On a demand-adjusted basis, approvals were generally equivalent as between low- and moderate-income and non-low- and moderate-income census tracts; the volume of lending in low- and moderate-income census tract, however, was low.

**SMALL BUSINESS LENDING ACTIVITY**

Within MSA 0960, overall small business lending activity in low- and moderate-income census tracts was strong. The demand-adjusted ratio for loan approvals was greater in low- and moderate- income census tracts than in non-low- and moderate-income census tracts.

**MSA 3610 (JAMESTOWN, NY)**

Chase's performance in MSA 3610 needs to improve. Mortgage and small business lending performance is poor, with low levels of lending, particularly in low- and moderate-income geographies. As a result of these low volumes, demand-adjusted analysis is not meaningful. There are almost 37,000 owner-occupied housing units in the MSA, about 3,300 of which are located in low- and moderate-income census tracts. MSA 3610 has 4,758 small business establishments, of which 1,144 or 24 percent are located in low- and moderate-income census tracts.

The Jamestown MSA represents one of the smallest markets in the New York State delineation, containing only one percent of the total population in the New York State delineation, so that the import of this MSA's performance on Chase's overall performance for the state is minimal. Chase, however, operates eight full service retail branches in MSA 3610. This area has been economically distressed for more than ten years, and is known to be in need of affordable housing and economic development.

## **I. COMMUNITY DEVELOPMENT**

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

Community development activity in MSA 3610 totaled \$41 thousand in nonrecoverable grants and donations.

## **II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extentions, credit applicaitons and credit denials.**

### **MORTGAGE ACTIVITY**

Mortgage activity in the Jamestown MSA was very limited. Chase approved 34 mortgage loans, 2 of which were in low- and moderate-income census tracts.

### **SMALL BUSINESS LENDING ACTIVITY**

Small business lending volumes are also very limited. The bank originated 47 small business loans in the MSA. Six of those loans were in low- and moderate-income census tracts.

### **MSA 5660 (NEWBURGH, NY-PA)**

### **NON-MSA STEUBEN COUNTY**

These two areas represent limited community development and lending opportunities for Chase, particularly in low- and moderate-income areas. Combined, they contain approximately one percent of the owner-occupied housing units and small businesses in the New York State delineation. There are no low- and moderate-income census tracts in Steuben County and only one in the delineated portion of MSA 5660. Given the demographics of the communities and very low loan penetration in these MSAs, no meaningful conclusion can be drawn relative to geographic distribution. Chase approved 20 mortgage loans in the two communities; 12 in MSA 5660 and 8 in Steuben County. No loan approvals were made in the low- or moderate-income census tracts of the delineated portion of MSA 5660. Small business lending activity was also very limited. Chase originated 4 small business loans; 3 in Steuben County and 1 in MSA 5660. The loan in MSA 5660 was in a low- and moderate-income census tract.

Chase's community development financing in the above areas totaled approximately \$6.7 million and was centered in MSA 5660 (Newburgh, NY-PA). The majority of the financing was in the form of a construction loan for 60 units of affordable housing in a low- and moderate-income census tract in a township contiguous to the delineated portion of the MSA. This project will provide affordable housing to qualified low-income

residents in the delineated portion of the MSA, as well as surrounding communities. Within the non-MSA delineated area of Steuben County, there was no community development activity; as noted above, however, there are no low- and moderate-income geographies in the delineation. In addition, Chase provided a \$115 thousand commitment to support small business development in the HudsonValley Region.

***UPSTATE MIDDLE MARKET***

**MSA 0160 (ALBANY-SCHENECTADY-TROY, NY)**

**MSA 8680 (UTICA-ROME, NY)**

**MSA 2335 (ELMIRA, NY)**

The bank's overall performance in these MSAs is considered reasonable. As discussed in the "Conclusions With Respect To Assessment Factors In New York State," Chase operates only middle market offices in the above MSAs. Accordingly, the bank focuses on corporate and municipal entities and it has no full service retail branch presence in these areas. In light of the nature of these operations, residential mortgage and small business lending volumes are low, allowing for no material conclusions relative to demand-adjusted lending performance. In these MSAs, Chase's CRA commitment is addressed primarily through community development activities. Lacking a retail branch presence on which to build, most of the bank's support is through loans and investments in third-party consortia and loan pools that provide services to areas that include the bank's delineation.

Community development activity in the three MSAs totaled \$3.3 million. In MSA 0160 (Albany-Schenectady-Troy, NY), Chase's community development activity totaled \$3 million. Ninety-two percent (\$2.8 million) of the financing was indirect financing to intermediaries that promote affordable housing (\$2.7 million) and small business development (\$145 thousand) initiatives in Albany, Rensselaer and Schenectady. In addition, the bank provided \$226 thousand in community development grants and contributions. Community development activity in MSA 8680 (Utica-Rome, NY) totaled \$256 thousand and consisted primarily of a revolving line of credit to a financial intermediary promoting economic development throughout the Adirondack Mountain Region. In MSA 2335 (Elmira, NY), Chase contributed \$11 thousand in nonrecoverable affordable housing and community service grants and donations.

## CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS AND CRITERIA THAT PERTAIN SOLELY TO THE CRA PROCESS, DEMOGRAPHICS, AND ECONOMIC FACTORS

**Assessment Factor K- The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

### COMMUNITY PROFILE

The demographic and statistical information used in this examination was obtained from the U.S. Department of Commerce Bureau of the Census, the New York State Department of Labor, the New York State Department of Economic Development and the U.S. Department of Housing and Urban Development Office of Community Planning and Development, and in discussions with bankers and community groups. Population, housing and income data were based on the 1990 Census. At all times, the most current information available was used for unemployment and job data; availability dates, however, were not consistent for all types of information. Unemployment information was based on data from the U.S. Bureau of Labor Statistics. Job information was obtained from a survey of business establishments.

Chase's New York State delineated community encompasses all or part of 28 of New York's 62 counties. It includes all or part of 11 of New York's 13 MSAs and a portion of one county which has no MSA. Total population in the New York State delineation is approximately 15 million, which is 68 percent of the bank's total delineated population. Of the total population in the New York State delineation, 28 percent, or approximately 4 million, persons, live in low- and moderate-income census tracts.

New York State continues to recover from the 1991-1992 U.S. recession. Recovery has been slower in New York State because the area was hit harder and longer than most of the country. New York State continues to lag behind the U.S. in job growth so that the state's unemployment rate (not seasonally adjusted) was 1.3 percent higher than the U.S. rate of 5.5 percent in March 1997. Continued downsizing in government, manufacturing and defense-related industries, together with large-scale restructuring in the financial services sector and stagnant real estate values, contribute to the slow expansion of New York State's economy.

Demographic and economic factors vary greatly within Chase's delineation. The downstate area is densely populated and accounts for about 75 percent of New York State's economy. Housing in this region of the bank's delineation is more expensive in relation to the median family income than in the rest of the state. Unemployment rates are highest downstate and reached 10.1 percent in New York City, as of March 1997.

Upstate New York is less densely populated and housing cost is much lower. Housing is plentiful and more reasonably priced, but is old and not appreciating in value. Economic growth in the upstate portion of the state is nominal. Only in MSA 6840 (Rochester, NY) is there modest economic strength. Despite the continued loss of manufacturing jobs, the region's industrial base remains heavily reliant on durable goods manufacturing. New industries that are now fueling growth elsewhere in the U.S. have not moved into upstate New York in any significant extent. Unemployment rates averaged approximately 4.5 percent in the MSAs of upstate New York as of March 1997.

Between March 1996 and March 1997, New York State added almost 79 thousand jobs, a 1.0 percent increase in employment. The growth in employment was limited almost entirely to the New York City metropolitan area counties. The number of private sector jobs increased by 96 thousand, or 1.5 percent. Most of the growth in employment occurred in services, with 69 thousand jobs, and retail and wholesale trade industries, with 20 thousand jobs. New York State continues to lose jobs in manufacturing and government, which lost 12 thousand and 18 thousand jobs, respectively.

<b>Tracts/ BNA Characteristics</b>	<b>Total Delineation</b>
Total Number of Tracts/BNAs	4065
LESS: Tracts/BNAs with Zero Population/Housing	82
Tracts/BNAs Considered for Analysis	3983
Number of Low/Mod Tracts/BNAs	1117
% Low/Mod	28%
Number of Minority Tracts (>=80%)	904
% Minority	23%
Number L/M & Minority Tracts/BNAs	604
% L/M & Minority	15%

<b>Tract/BNA Demographics</b>	<b>Total Delineation</b>
Population	14,931,342
Population in Low/Mod Tracts	4,128,928
% of Population in Low/Mod Tracts	28%
Minority Population	3,419,643
% Minority	23%
Minority Population in Low/Mod Tracts	2,406,549
% Minority in Low/Mod Tracts	16%
Number of Owner Occupied Units	2,712,416
Owner Occupied Units in Low/Mod Tracts	307,049
% Owner Occupied Units in Low/Mod Tracts	11%

**MSA 5600 (New York, NY)**

Chase's delineated community encompasses the entire New York MSA, which includes the five counties in New York City, (Bronx, Kings, New York, Queens and Richmond), as well as the suburban counties of Westchester, Putnam and Rockland. MSA 5600 represents the largest percentage of population in Chase's New York State delineation, 57 percent, and the highest percentage of population residing in low- and moderate-income census tracts, 34 percent. Approximately 86 percent (7.3 million) of the population is concentrated in New York City. Also, of the 764 low- and moderate-income census tracts used in the analysis of MSA 5600, 97 percent (740) are in New York City. The largest concentration of low- and moderate-income census tracts within MSA 5600 is found in Kings County, where approximately 41 percent of all the low- and moderate-income census tracts in the MSA are located.

In contrast to the suburban portion of the MSA, where 66 percent of the housing units are owner-occupied, only 31 percent of the housing units in New York City are owner-occupied. This is most pronounced in Bronx, New York and Kings Counties, where 79 percent, 75 percent and 70 percent, respectively, of housing units are renter-occupied. Rental housing has historically been an important component of the housing market in New York City for all residents. The lower percentage of home-ownership is partially the result of the disparity between the incomes of the residents and the average housing cost. The 1996 median family income in MSA 5600 is \$45.8 thousand. The median housing value in the MSA is \$207 thousand, and 92.5 percent of owner-occupied housing is valued at more than \$100 thousand. This makes financing of affordable multi-family housing an important lending need in this MSA.

Between 1990 and 1994, the number of people employed in the MSA declined by 6.1 percent. Only Richmond and Bronx Counties reported an overall growth in employment. Service was the only industry that did not experience a drop in employment over this period, while manufacturing, construction and wholesale trade industries experienced the largest reductions in employment. During 1994, the economy improved and only manufacturing and government continued to lose jobs.

The unemployment rate (seasonally adjusted) increased for New York City from 9.2 percent in March 1996 to 10.1 percent in March 1997. The financial services industry, including banking, insurance and securities, continues to be a major contributor to employment and the local economy. However, in response to economic and competitive pressures, the industry has consolidated and downsized during the last decade and has continued to move much of its operation outside New York City. The public sector, including federal and municipal agencies, also suffered the effects of consolidation and reduced budgets, and the manufacturing sector continues a long-term decline.

<b>Tract Characteristics</b>	<b>MSA 5600 (New York, NY)</b>
Total Number of Tracts	2497
LESS: Tracts with Zero Population/Housing	60
Tracts Considered for Analysis	2437
Number of Low/Mod Tracts	764
% Low/Mod	31.4%
Number of Minority Tracts (>=80%)	835
% Minority	34.3%
Number L/M & Minority Tracts	543
% L/M & Minority	22.3%

<b>Tract Demographics</b>	<b>MSA 5600 (New York, NY)</b>
Population	8,520,506
Population in Low/Mod Tracts	2,938,761
% of Population in Low/Mod Tracts by MSA	34.5%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	49.8%
Minority Population	2,998,451
% Minority	35.2%
Minority Population in Low/Mod Tracts	2,212,108
% Minority in Low/Mod Tracts	26.0%
Number of Owner Occupied Units	1,084,100
Owner Occupied Units in Low/Mod Tracts	106,603
% Owner Occupied Units in Low/Mod Tracts	10.0%

**MSA 5380 (Nassau-Suffolk, NY)**

The two counties (Nassau and Suffolk) that make up Long Island have a combined population of 2.6 million, or approximately 17 percent of Chase’s New York State delineated area population. Fifteen percent of the total population in the MSA resides in low- and moderate-income census tracts. There are 574 census tracts in the MSA that were considered for analysis, of which 14.6 percent are low and moderate-income. The majority of the low- and moderate-income census tracts are located in Hempstead, Roosevelt and Freeport in Nassau County and in the eastern portion of Suffolk County.

The level of home ownership on Long Island is high; 80 percent of 856 thousand occupied housing units in this MSA are owner-occupied. Almost 12 percent of owner-occupied housing units are in low- and moderate-income census tracts. Only 8.5 percent of housing units are found in multifamily structures. Housing costs are high in the MSA. The median housing value is \$186 thousand. Only 6 percent of owner-occupied housing is valued at less than \$100 thousand. Community contacts in Nassau and Suffolk Counties indicate that affordable housing financing continues to be a need in the MSA.

Long Island’s defense industry continues to lose jobs as Northrop Grumman closes out its manufacturing operations. The local economy, however, has been rebounding with growth of small businesses and high-technology employers such as subcontracting firms in the aviation and auto industries. Unemployment on Long Island declined between March 1996 and March 1997, from 4.6 percent to 3.6 percent.



<b>Tracts Characteristics</b>	<b>MSA 5380 (Nassau-Suffolk, NY)</b>
Total Number of Tracts	582
LESS: Tracts with Zero Population/Housing	8
Tracts Considered for Analysis	574
Number of Low/Mod Tracts	84
% Low/Mod	14.6%
Number of Minority Tracts (>=80%)	20
% Minority	3.5%
Number L/M & Minority Tracts	12
% L/M & Minority	2.1%

<b>Tract Demographics</b>	<b>MSA 5380 (Nassau-Suffolk, NY)</b>
Population	2,603,986
Population in Low/Mod Tracts	392,872
% of Population in Low/Mod Tracts by MSA	15.1%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	6.7%
Minority Population	96,941
% Minority	3.7%
Minority Population in Low/Mod Tracts	60,691
% Minority in Low/Mod Tracts	2.3%
Number of Owner Occupied Units	687,506
Owner Occupied Units in Low/Mod Tracts	81,465
% Owner Occupied Units in Low/Mod Tracts	11.8%

**MSA 1280 (Buffalo-Niagara Falls, NY)**

Chase's delineation includes Erie County, one of the two counties that make up this MSA's total population of 1.2 million. Erie County's population of 962 thousand is 6.4 percent of Chase's New York State delineation population. Within Erie County, approximately 25 percent of the population resides in low- and moderate-income census tracts. Of the 233 census tracts considered for analysis, 30 percent are low- and moderate-income tracts. A significant majority of the low- and moderate-income census tracts are located in the City of Buffalo.

About 64 percent of 377 thousand occupied housing units in Erie County are owner-occupied. Low- and moderate-income census tracts contain 16.7 percent of owner-occupied units. Only 10.8 percent of housing units are within multifamily structures.

The population of this MSA over the age of 65 has increased significantly in the last 10 years. While the total population of the MSA declined by 4.3 percent from 1980 to 1990, the population over age 65 has grown by 17 percent and now amounts to 15.2 percent of the total population.

During the 4 year period from 1990-1994, the MSA's economy suffered a decline of 2.3 percent in overall employment. Most of this decline was the result of job losses in manufacturing and construction. Manufacturing had been the main component of the job market in this MSA for many years, but starting in the late 1960's, manufacturing jobs began to decline in relative terms. In the mid 1960's, manufacturing jobs accounted for approximately 40 percent of the region's employment, as compared with 15 percent in 1994. Manufacturing jobs have been replaced by lower-paying service sector jobs, which have become an increasingly important part of the MSA's economy. The health service industry was the fastest growing sector of the MSA's economy until 1993, when consolidation slowed its growth. Unemployment in the MSA declined slightly from 5.7 percent in March 1996 to 5.4 percent in March 1997.

<b>Tracts Characteristics</b>	<b>MSA 1280 (Buffalo-Niagara Falls, NY)</b>
Total Number of Tracts	236
LESS: Tracts with Zero Population/Housing	3
Tracts Considered for Analysis	233
Number of Low/Mod Tracts	70
% Low/Mod	30.0%
Number of Minority Tracts (>=80%)	21
% Minority	9.0%
Number L/M & Minority Tracts	21
% L/M & Minority	9.0%

<b>Tract Demographics</b>	<b>MSA 1280 (Buffalo-Niagara Falls, NY)</b>
Population	962,504
Population in Low/Mod Tracts	238,371
% of Population in Low/Mod Tracts by MSA	24.8%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	4.0%
Minority Population	69,786
% Minority	7.3%
Minority Population in Low/Mod Tracts	69,786
% Minority in Low/Mod Tracts	7.3%
Number of Owner Occupied Units	240,246
Owner Occupied Units in Low/Mod Tracts	40,031
% Owner Occupied Units in Low/Mod Tracts	16.7%

**MSA 6840 (Rochester, NY)**

In this MSA the bank's delineation includes all of Monroe County and portions of Wayne and Ontario Counties. Combined, the population is 816 thousand and represents 5.5 percent of Chase's New York State delineation. (The entire MSA encompasses six counties having a population of 1.1 million). Of the total population, approximately 20 reside in low- and moderate-income census tracts. There are 204 census tracts considered for analysis, of which 33 percent are low- and moderate-income and primarily located within the City of Rochester.

There are 325 thousand housing units in the delineation; 205 thousand units or 63 percent are owner-occupied. Low- and moderate-income census tracts contain 12.7 percent of owner-occupied housing. About 15.3 percent of housing units are within multi-family structures.

Since 1990, this MSA has lost 12 thousand manufacturing jobs. However, manufacturing still accounts for 24 percent of the MSA's employment. The services industry, which furnishes 30.5 percent of the jobs in the MSA, has been creating jobs as manufacturing has declined, and as a result, the unemployment rate in the Rochester MSA is one of the lowest in the state. As of March 1996, the unemployment rate was 4.1 percent; an improvement from the 4.6 percent the prior year. The MSA relies on Eastman Kodak Company, Bausch & Lomb and Xerox for many of its manufacturing jobs. Rochester is also considered one of the largest tool and die centers in the United States and is a world leader in optics technology.

<b>Tracts Characteristics</b>	<b>MSA 6840 (Rochester, NY)</b>
Total Number of Tracts	206
LESS: Tracts with Zero Population/Housing	2
Tracts Considered for Analysis	204
Number of Low/Mod Tracts	68
% Low/Mod	33.3%
Number of Minority Tracts (>=80%)	21
% Minority	10.3%
Number L/M & Minority Tracts	21
% L/M & Minority	10.3%

<b>Tract Demographics</b>	<b>MSA 6840 (Rochester, NY)</b>
Population	815,588
Population in Low/Mod Tracts	166,618
% of Population in Low/Mod Tracts by MSA	20.4%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	2.8%
Minority Population	233,677
% Minority	28.7%
Minority Population in Low/Mod Tracts	44,283
% Minority in Low/Mod Tracts	5.4%
Number of Owner Occupied Units	205,199
Owner Occupied Units in Low/Mod Tracts	25,985
% Owner Occupied Units in Low/Mod Tracts	12.7%

**MSA 8160 (Syracuse, NY)**

In this MSA, the bank's delineation includes all of Onondaga County and portions of Oswego and Madison Counties. The combined delineated population is 590 thousand, and represents 4 percent of Chase's New York State delineated area population. Approximately 23 percent of that population resides in low- and moderate-income census tracts. Of the 170 census tracts considered for analysis, 26.5 percent are of low- and moderate-income.

Of the 221 thousand occupied housing units in the delineated community, 144 thousand or 65 percent, are owner-occupied. Almost 16 thousand of the owner-occupied units are located in low- and moderate-income census tracts. Some 18.6 percent of housing units are found in multi-family buildings.

Between 1990 and 1994, the MSA experienced a drop in employment, with construction, manufacturing, finance and insurance, and real estate affected most. The service sector, however, experienced an increase in employment for this same time period. As of 1994, the service, retail trade, and government sectors were the three largest employers in the MSA. Overall, the unemployment rate for this MSA decreased from 5.7 percent in March 1996 to 4.9 percent in March 1997.

<b>Tracts Characteristics</b>	<b>MSA 8160 (Syracuse, NY)</b>
Total Number of Tracts	171
LESS: Tracts with Zero Population/Housing	1
Tracts Considered for Analysis	170
Number of Low/Mod Tracts	45
% Low/Mod	26.5%
Number of Minority Tracts (>=80%)	5
% Minority	2.9%
Number L/M & Minority Tracts	5
% L/M & Minority	2.9%

<b>Tract Demographics</b>	<b>MSA 8160 (Syracuse, NY)</b>
Population	590,171
Population in Low/Mod Tracts	128,463
% of Population in Low/Mod Tracts by MSA	22.8%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	2.2%
Minority Population	12,758
% Minority	2.2%
Minority Population in Low/Mod Tracts	12,758
% Minority in Low/Mod Tracts	2.2%
Number of Owner Occupied Units	143,952
Owner Occupied Units in Low/Mod Tracts	15,952
% Owner Occupied Units in Low/Mod Tracts	11.1%

**MSA 0960 (Binghamton, NY)**

Chase's delineation in this MSA includes Broome County, and most of Tioga County. The delineated community has a population of 240 thousand, or 1.6 percent of the bank's New York State delineated area population. Of the 60 census tracts considered for analysis, 26.7 percent are low- and moderate-income. Approximately 43 thousand people, or 18.1 percent of the delineation's population, live in low- and moderate-income census tracts.

There are 92 thousand occupied housing units in the MSA. Of this total, almost 62 thousand units or 67.4 percent are owner-occupied units. Almost eight thousand units or 12.4 percent of the owner-occupied housing units are in low- and moderate-income census tracts.

The area in and around the MSA has numerous technological centers which form an integral part of the delineation's economy. IBM, located in Binghamton, is the largest employer in the community. Binghamton University has the Integrated Electronics Engineer Center. Cornell University boasts a supercomputer and Alfred University has its Center for Advanced Ceramic Technology. Another major employer adjacent to the area is the Corning Glass Company.

The area has experienced a major economic downturn in recent years due to the restructuring of major industrial and defense-related employers such as IBM, Lockheed Martin, and Hughes Corporation. An exodus of residents resulted from this economic downturn. The MSA's employment level dropped from 144 thousand in 1990 to 114 thousand in 1996. Primarily due to the out-migration, the unemployment rate dropped from 5.3 percent in March 1996 to 4.6 percent in March 1997. The Binghamton MSA was the only major New York State market to experience a net job loss in 1995. Nominal job growth took place in 1996. Further reduction in defense industry employment is expected with the continued contraction of the military budget and the consolidation of the defense industry.

The positive area of employment in the MSA has been the service industry. Between 1990 and 1994, the service industry increased employment by 12.2 percent.

The overall negative employment trend has caused high commercial real estate vacancy rates, a decline in single family home sales, and a fall in commercial and residential construction spending. Commercial building vacancy is approximately 40 percent in downtown Binghamton.

<b>Tracts Characteristics</b>	<b>MSA 0960 (Binghamton, NY)</b>
Total Number of Tracts	63
LESS: Tracts with Zero Population/Housing	3
Tracts Considered for Analysis	60
Number of Low/Mod Tracts	16
% Low/Mod	26.7%
Number of Minority Tracts (>=80%)	0
% Minority	0.00
Number L/M & Minority Tracts	0
% L/M & Minority	0.00

<b>Tract Demographics</b>	<b>MSA 0960 (Binghamton, NY)</b>
Population	240,140
Population in Low/Mod Tracts	43,406
% of Population in Low/Mod Tracts by MSA	18.1%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	.7%
Minority Population	0
% Minority	0.00
Minority Population in Low/Mod Tracts	0
% Minority in Low/Mod Tracts	0.00
Number of Owner Occupied Units	61,504
Owner Occupied Units in Low/Mod Tracts	7,643
% Owner Occupied Units in Low/Mod Tracts	12.4%

**MSA 3610 (Jamestown, NY)**

This MSA, which is comprised of Chautauqua County, has a population of 142 thousand people of which almost 19 thousand live in low- and moderate-income census tracts. The population in this MSA represents one percent of Chase’s total New York State delineation. Of the 33 census tracts used in the analysis of this MSA, 15.2 percent are low- and moderate-income.

There are 54 thousand occupied housing units in the MSA. Of this total, 37 thousand units or 68.5 percent are owner-occupied. Three thousand, or 9.0 percent of owner-occupied housing units are located in low- and moderate-income census tracts.

The City of Jamestown is the largest and most populous urban center in Chautauqua County. The city and surrounding areas experienced significant economic decline during the 1980's as manufacturing firms left the area, creating high levels of unemployment. In 1995, there were only 14,300 manufacturing jobs in the MSA, down from 16,200 in 1980. Non-manufacturing jobs, generally in the service, retail and wholesale sectors, have increased somewhat in the MSA, reaching 41,900 in 1995, compared to 40,800 in 1987. However, a large number of these non-manufacturing jobs have average wages that are significantly lower than those that had been available in the manufacturing sector. According to the 1990 Census, the median family income in the City of Jamestown was \$20,582, while the per capita income figure was \$10,731.

<b>Tracts Characteristics</b>	<b>MSA 3610 (Jamestown, NY)</b>
Total Number of Tracts	33
LESS: Tracts with Zero Population/Housing	0
Tracts Considered for Analysis	33
Number of Low/Mod Tracts	5
% Low/Mod	15.2%
Number of Minority Tracts (>=80%)	0
% Minority	0.0%
Number L/M & Minority Tracts	0
% L/M & Minority	0.0%

<b>Tract Demographics</b>	<b>MSA 3610 (Jamestown, NY)</b>
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Population	141,895
Population in Low/Mod Tracts	18,879
% of Population in Low/Mod Tracts	13.3%
% of Population in Low-Mod Tracts within MSA to Total Population in Low/Mod Tracts	0.3%
Minority Population	0
% Minority	0.0%
Minority Population in Low/Mod Tracts	0
% Minority in Low/Mod Tracts	0.0%
Number of Owner Occupied Units	36,817
Owner Occupied Units in Low/Mod Tracts	3,298
% Owner Occupied Units in Low/Mod Tracts	9.0%

**MSA 5660 (Newburgh, NY-PA)**

In this MSA, Chase’s delineation consists of the Town of Monroe, in Orange County. The delineation has a population of 26.7 thousand, which is less than 1 percent of Chase’s New York State delineated area population. Of the 5 census tracts within the delineation, 1 is low-income, and contains 30.5 percent of the delineation’s population. There are no moderate income census tracts in the delineation. There are 7.6 thousand occupied housing units in the MSA. Of this total, 5.3 thousand units, or 69.7 percent, are owner-occupied. Some 453 units, or 8.5 percent, of the owner-occupied housing units are in the low-income census tract.

Between 1990 and 1994, the Orange County area experienced a major drop in employment in the construction and manufacturing industries. The service industry, however, added more jobs than were lost. As of 1994, the services, government, and retail trade industries were the three largest industry employers in Orange County. Overall, unemployment in the county decreased from 4.8 in March 1996 to 4.2 percent in March 1997.

Tracts Characteristics	MSA 5660 (Newburgh, NY-PA)
Total Number of Tracts	5



LESS: Tracts with Zero Population/Housing	0
Tracts Considered for Analysis	5
Number of Low/Mod Tracts	1
% Low/Mod	20.0%
Number of Minority Tracts (>=80%)	0
% Minority	0.00
Number L/M & Minority Tracts	0
% L/M & Minority	0.00

<b>Tract Demographics</b>	<b>MSA 5660 (Newburgh, NY-PA)</b>
Population	26,674
Population in Low/Mod Tracts	8,146
% of Population in Low/Mod Tracts by MSA	30.5%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	0.1%
Minority Population	0
% Minority	0.00
Minority Population in Low/Mod Tracts	0
% Minority in Low/Mod Tracts	0.00
Number of Owner Occupied Units	5,300
Owner Occupied Units in Low/Mod Tracts	453
% Owner Occupied Units in Low/Mod Tracts	8.5%

**Non-MSA (Steuben County)**

The non-MSA portion of Chase’s delineation contains portions of Steuben County bordering on Chemung County. The population totals 37 thousand, and represents less than one percent of Chase’s New York State delineated area population. None of the 11 block numbering areas (BNAs) are designated low- or moderate-income. There are 14.5 thousand occupied housing units in the delineation; 10.2 thousand units or 70.3 percent are owner-occupied.

Between 1990 and 1994, Steuben County experienced above average job growth of 1.3 percent. The number of jobs increased by 613 to 48.7 thousand. The service and government sectors accounted for the growth in employment. The unemployment rate for the county declined from December 1995 to December 1996, 6.8 percent to 5.8 percent.

<b>BNA Characteristics</b>	<b>NON-MSA Steuben County</b>
Total Number of BNAs	11

LESS: BNAs with Zero Population/Housing	0
BNAs Considered for Analysis	11
Number of Low/Mod BNAs	0
% Low/Mod	00.0%
Number of Minority BNAs (>=80%)	0
% Minority	0.0%
Number L/M & Minority BNAs	0
% L/M & Minority	0.0%

<b>BNA Demographics</b>	<b>NON-MSA Steuben County</b>
Population	36,776
Population in Low/Mod BNAs	0
% of Population in Low/Mod BNAs	0.0%
Minority Population	1,107
% Minority	3.0%
Minority Population in Low/Mod BNAs	0
% Minority in Low/Mod BNAs	0.0%
Number of Owner Occupied Units	10,246
Owner Occupied Units in Low/Mod BNAs	0
% Owner Occupied Units in Low/Mod Tracts	0.0%

**MSA 0160 (Albany-Schenectady-Troy, NY)**

In this MSA, Chase’s delineation includes portions of Albany, Rensselaer, Schenectady and Saratoga Counties. The population in the delineated poriton of the MSA totaled 651 thousand, and represented 4.4 percent of Chase’s New York State delineated area population. Of the 155 census tracts considered for analysis, 24.5 percent were low- and moderate-income. There were 126 thousand people, or 19.3 percent of the delineation’s population, living in low- and moderate-income census tracts. There were 254 thousand occupied housing units in the delineation, of which 154 thousand, or 60.6 percent, are owner-occupied. Almost 18 thousand owner-occupied, housing units were in low- and moderate-income census tracts.

Between 1990 and 1994, the MSA experienced a major drop in employment in the construction, manufacturing and wholesale industries, while the service, finance, insurance, and real estate industries experienced increases. As of 1994, the service, government and government enterprises, and retail trade industries were the three largest employers in the MSA and collectively accounted for 70 percent of the jobs.

<b>Tracts Characteristics</b>	<b>MSA 0160 (Albany-Schenectady-Troy,NY)</b>
Total Number of Tracts	156
LESS: Tracts with Zero Population/Housing	1

Tracts Considered for Analysis	155
Number of Low/Mod Tracts	38
% Low/Mod	24.5%
Number of Minority Tracts (>=80%)	1
% Minority	0.6%
Number L/M & Minority Tracts	1
% L/M & Minority	0.6%

<b>Tract Demographics</b>	<b>MSA 0160 (Albany-Schenectady-Troy, NY)</b>
Population	651,443
Population in Low/Mod Tracts	126,006
% of Population in Low/Mod Tracts by MSA	19.3%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	2.1%
Minority Population	6,157
% Minority	.9%
Minority Population in Low/Mod Tracts	6,157
% Minority in Low/Mod Tracts	.9%
Number of Owner Occupied Units	153,516
Owner Occupied Units in Low/Mod Tracts	17,746
% Owner Occupied Units in Low/Mod Tracts	11.6%

**MSA 8680 (Utica-Rome, NY)**

In this MSA, Chase's delineation includes all of Oneida County with a population of 248 thousand, or 1.7 percent of Chase's New York State delineated area population. Of the 79 census tracts considered for analysis, 26.6 percent are low- and moderate-income. Almost 53 thousand people, or 21.3 percent of the delineation's population live in low- and moderate-income census tracts. Of almost 93 thousand occupied housing units in the delineation, 60 thousand, or approximately 65 percent, are owner-occupied. Ten percent, of the owner-occupied units are located in low- and moderate-income census tracts.

Between 1990 to 1994, Oneida County employment declined by 1.6 percent with manufacturing and construction hit the hardest. The service and finance and insurance sectors were the only sectors which experienced job growth. Overall, the unemployment rate for this MSA decreased from 6.5 percent in March 1996 to 5.6 percent in March 1997.

<b>Tracts Characteristics</b>	<b>MSA 8680 (Utica - Rome, NY)</b>
Total Number of Tracts	82
LESS: Tracts with Zero Population/Housing	3

Tracts Considered for Analysis	79
Number of Low/Mod Tracts	21
% Low/Mod	26.6%
Number of Minority Tracts (>=80%)	1
% Minority	1.3%
Number L/M & Minority Tracts	1
% L/M & Minority	1.3%

<b>Tract Demographics</b>	<b>MSA 8680 (Utica - Rome, NY)</b>
Population	248,243
Population in Low/Mod Tracts	52,889
% of Population in Low/Mod Tracts by MSA	21.3%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	0.9%
Minority Population	766
% Minority	0.3%
Minority Population in Low/Mod Tracts	766
% Minority in Low/Mod Tracts	0.3%
Number of Owner Occupied Units	60,398
Owner Occupied Units in Low/Mod Tracts	6,204
% Owner Occupied Units in Low/Mod Tracts	10.3%

**MSA 2335 (Elmira, NY)**

This MSA, which is comprised of Chemung County, has a population of 93 thousand, and represents less than one percent of Chase's New York State delineated area population. Of the 22 census tracts considered for analysis in this MSA, 22.7 percent are designated low- and moderate-income. About 14.5 thousand people, or 15.5 percent of the MSAs population, live in low- and moderate-income census tracts. There are 35 thousand occupied housing units in the MSA. Of this total, 24 thousand units or approximately 69 percent are owner-occupied. Approximately 7 percent of the owner-occupied housing units in the MSA are in low- and moderate-income census tracts.

Between 1990 to 1994, the MSA experienced major drops in employment in the wholesale, construction, finance, insurance and real estate industries. Manufacturing and retail industries had slight employment increases. As of 1994, the services, retail, and manufacturing industries were the three largest employers and collectively accounted for 67 percent of all MSA jobs. Overall, the unemployment rate for this MSA decreased from 4.8 percent in March 1996 to 4.1 percent in March 1997.

<b>Tracts Characteristics</b>	<b>MSA 2335 (Elmira, NY)</b>
Total Number of Tracts	23
LESS: Tracts with Zero Population/Housing	1
Tracts Considered for Analysis	22

Number of Low/Mod Tracts	5
% Low/Mod	22.7%
Number of Minority Tracts (>=80%)	0
% Minority	0.00
Number L/M & Minority Tracts	0
% L/M & Minority	0.00

<b>Tract Demographics</b>	<b>MSA 2335 (Elmira, NY)</b>
Population	93,416
Population in Low/Mod Tracts	14,517
% of Population in Low/Mod Tracts by MSA	15.5%
% of Population in Low/Mod Tracts within	
MSA to Total Population in Low/Mod Tracts	0.2%
Minority Population	0
% Minority	0.00
Minority Population in Low/Mod Tracts	0
% Minority in Low/Mod Tracts	0.00
Number of Owner Occupied Units	24,095
Owner Occupied Units in Low/Mod Tracts	1,669
% Owner Occupied Units in Low/Mod Tracts	6.9%

## STATE OF NEW JERSEY

### CRA RATING FOR THE STATE OF NEW JERSEY: *SATISFACTORY*

Chase's level of compliance with the Community Reinvestment Act in New Jersey is assessed as "Satisfactory." Community development activities weighted heavily in the assessment of the bank's overall performance in the State of New Jersey. Bank management has demonstrated a significant commitment to CRA through strong participation in community development projects and programs that support economic development and affordable housing. The bank offers a full range of credit products, including a varied line of special credit products with flexible terms and criteria that support home ownership and small businesses in the low- and moderate-income areas of the community. On a demand-adjusted basis, however (that is, the proportion of loan applications and approvals for the geographic area per thousand owner-occupied units in that area), the penetration of mortgage and small business loans in low- and moderate-income census tracts as compared with such penetration in non-low- and moderate-income census tracts needs to improve.

### SCOPE OF EXAMINATION

The examination period covered activity in 1996, and for community development activity only included the first quarter of 1997 as well. Performance in all MSAs in the bank's delineation was reviewed as part of this examination. The analysis included all home purchase and refinance loans within the bank's delineation approved by The Chase Manhattan Bank, N.A. prior to its merger with Chemical Bank, as well as such loans approved by its affiliates, Chase Manhattan Mortgage Corporation and Chase Manhattan Servicing. Home improvement loans were excluded from this analysis in light of the fact that prior to September 1996 the bank opted, as permitted under Regulation C, not to collect information related to an applicant's intended use of proceeds from home equity loans not classified by the bank as home improvement loans and from home equity credit lines. Therefore, an analysis of the limited home improvement loan activity reported subsequent to September 1996 would not be indicative of the bank's overall performance.

The small business loan analysis included loans originated or purchased by Chase and its subsidiary, Chase Automotive Financing, within the bank's New Jersey delineation. The definition of small business loans in Regulation BB, Section 228.12(u) refers to the definition of such loans in the instructions for preparation of the Consolidated Report of 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). For purposes of this analysis only those small business loans of \$1 million or less to businesses with gross annual revenues of \$1 million or less, based on the revenues the bank considered in making the credit decision, were considered.

For a further explanation of the scope of this examination, see Section I. Community Development and Section II. Geographic Distribution and Record of Opening and Closing Offices on page 12. Information is also available in Appendix A on page 153.

### DESCRIPTION OF THE BANK'S OPERATIONS IN NEW JERSEY

As of March 10, 1997, the bank maintained 40 full service retail branch offices and three remote automated teller machine (ATM) locations in New Jersey. All but one of these facilities were initially Chemical Bank facilities prior to the change of the name of Chemical Bank New Jersey, N.A. to The Chase Manhattan Bank, N.A., on September 3, 1996 and the merger of the latter into Chase on December 1, 1996.

Exhibit C below shows branch offices by county and MSA as of March 10, 1997. The 40 branches in New Jersey represent approximately 7 percent of the total number of full service retail branches in the bank's total delineation. Of the total full service retail branches in New Jersey, eight percent are located in low- and moderate-income census tracts.

**Exhibit C**  
**NUMBER OF CHASE FULL SERVICE BRANCHES BY COUNTY AND MSA**

County and MSA	Number of Branches	Number of Branches in Low- and Moderate-Income Census Tracts
Essex County	7	0
Morris County	13	0
Union County	4	0
<b>MSA 5640 (Newark) Total</b>	<b>24</b>	<b>0</b>
Bergen County	9	0
Passaic County	7	3
<b>MSA 0875 (Bergen-Passaic) Total</b>	<b>16</b>	<b>3</b>
<b>New Jersey State Totals</b>	<b>40</b>	<b>3</b>

The community delineation in New Jersey consists of all or a portion of three MSAs. The delineation includes the following areas:

- C All of MSA 0875 (Bergen-Passaic, NJ), consisting of Bergen and Passaic Counties.
- C All of MSA 3640 (Jersey City, NJ), consisting of Hudson County.
- C A portion of MSA 5640 (Newark, NJ) consisting of all of Essex and Union Counties and the eastern portion of Morris County including the contiguous municipalities of Boonton, Boonton Township, Butler, Chatam, Chatam Township, Denville, East Hanover, Florham Park, Hanover, Harding Township, Kinnelon, Long Hill Township, Lincoln Park, Madison, Mendham Boro, Mendham Township, Montville, Morris Plains, Morris Township, Morristown, Mountain Lakes, Parsippany, Pequannock, Randolph, Riverdale and Rockaway.

There are 803 census tracts in the delineation that contain housing units, of which 265, or 33 percent, are low- and moderate-income tracts. Total population is approximately 3.4 million. About 923 thousand people, or 27 percent of the population, reside in low- and moderate-income census tracts. Within the delineation, there are 679 thousand owner-occupied housing units, of which 93 thousand, or 14 percent, are in low- and moderate-income census tracts.

The New Jersey delineation represents about 16 percent (3,390,000 of 21,857,972) of the bank's total delineated population and 16 percent (923,000 of 5,921,700) of the total delineated population living in low-

and moderate-income census tracts. Approximately 18 percent (93,120 of 504,600) of the low- and moderate-income census tract owner-occupied housing units in the bank's overall delineation are found in the New Jersey delineation.

Of the small businesses in the bank's overall tri-state delineation, 16 percent (112,411 of 696,860) are in the New Jersey delineation. Also, 15 percent (26,644 of 174,533) of all small businesses located in low- and moderate-income census tracts within the bank's entire delineation are in the New Jersey delineation.

Home purchase and refinance approvals in the New Jersey delineation represent 11 percent (1,802 of 15,812) of all such Chase approvals reported in 1996 for the entire tri-state delineation. Small business loan originations in the New Jersey delineation represent five percent (367 of 7,222) of the total Chase small business loan originations in 1996.

## **CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS IN NEW JERSEY**

In assessing Chase's overall performance in New Jersey, significant weight was given to activities in MSA 5640 (Newark, NJ), especially Essex and Union Counties. The delineated portion of this MSA represents the greatest opportunities for the bank, particularly in low- and moderate-income geographies. The Morris County portion of the MSA delineation was not considered significant for analytical purposes, however, since it contains only one moderate-income census tract with 337 owner-occupied housing units.

### **I. COMMUNITY DEVELOPMENT**

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

The level of community development activity within the delineated portions of New Jersey is considered outstanding. Community development activity in New Jersey totaled almost \$32 million, representing 4.8 percent of Chase's total community development lending and investments. Of this amount, \$15.4 million consisted of indirect financing for low- and moderate-income housing and economic development throughout the bank's New Jersey delineation. The balance represented direct lending in MSA 5640 (Newark, NJ) of \$14.1 million and in MSA 0875 (Bergen-Passaic, NJ) of \$2.1 million. Direct lending activity consisted of \$11.1 million in support of economic development, \$4.8 million in support of affordable housing and \$438 thousand in support of community service. The direct economic development financing was concentrated in MSA 5640 (Newark, NJ), specifically, in downtown Newark. The direct affordable housing development financing was distributed somewhat more proportionately in MSA 5640 (Newark, NJ), which accounted for 60 percent of the total, and in MSA 0875 (Bergen-Passaic, NJ), which accounted for the remainder. Chase's direct financing efforts resulted in 139 units of affordable housing. Nonrecoverable community development grants totaled \$444 thousand.



## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

Chase's performance in meeting the credit needs of all portions of its New Jersey delineation, including low- and moderate-income areas, needs improvement. While the bank's performance with regard to mortgage and small business lending was reasonable in some geographies, the weak mortgage and small business performance in MSA 5640 (Newark), which contains the largest concentration of low- and moderate-income lending opportunities in the New Jersey delineation, and weak small business performance in MSA 3640 (Jersey City), resulted in less than satisfactory performance for the state as a whole.

Demand-adjusted mortgage performance was weak in MSA 5640 (Newark), specifically, in Union and Essex Counties. In both counties, mortgage loan approvals in non-low- and moderate-income census tracts were significantly stronger than in low- and moderate-income census tracts. Activity in the Morris County portion of MSA 5640 was not considered significant for analytical purposes because the area contains only 337 owner-occupied housing units in low- and moderate-income census tracts.

Reasonable demand-adjusted mortgage activity was found in MSA 0875 (Bergen-Passaic) and MSA 3640 (Jersey City), although performance varied by counties in the Bergen-Passaic MSA. In Bergen County, demand-adjusted activity was reasonable, while in Passaic County, which contains the majority of the MSA's low- and moderate-income census tracts, demand-adjusted performance was strong.

Weak demand-adjusted small business lending performance was exhibited in MSA 5640 (Newark) and MSA 3640 (Jersey City), and, specifically, in Essex, Union and Hudson Counties. Chase demonstrated its weakest overall demand-adjusted small business lending performance in Essex County. On a demand-adjusted basis, small business loan originations in non-low- and moderate-income census tracts were seven times greater than in low- and moderate-income census tracts. Activity in the Morris County portion of the delineation was not material to the analysis because there are only 309 small businesses located in the area's low- and moderate-income geographies.

Weak demand-adjusted small business loan performance was exhibited overall in MSA 0875 (Bergen-Passaic), but performance differed between the two MSA counties. In Passaic County, performance was reasonable; in Bergen County, however, no performance was weak.

A discussion regarding the bank's lending performance in each MSA in the New Jersey delineation can be found beginning on page 91.

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

The number and location of Chase's branches are discussed in the prior section of this report-- "Description of the Institution's Operations in New Jersey." Chase maintains an adequate branch closing policy which conforms to the Joint Interagency Policy Statement Regarding Branch Closing. Details regarding the bank's branch closing policy are provided on page 17.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**  
**(Cont.)**

As of March 10, 1997, and subsequent to the merger of The Chase Manhattan Bank, N.A., (Morristown, N.J.), formerly Chemical Bank New Jersey, N.A. into Chase on December 1, 1996, there have been no Chase branch openings or closings in New Jersey.

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase offers within New Jersey an affordable mortgage product.

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

Chase offers the following government insured, guaranteed, or subsidized loan programs specifically for the New Jersey area: the New Jersey Economic Development Authority Program and the N.J. Housing and Mortgage Finance Agency First Time Home Buyers Mortgage Program.

#### METROPOLITAN STATISTICAL AREA (MSA) ANALYSIS

#### CONCLUSIONS WITH RESPECT TO THE ASSESSMENT FACTORS THAT DEAL WITH PERFORMANCE:

Additional details regarding the bank's performance under various assessment factors at the MSA level are as follows:

##### **MSA 5640 (NEWARK, NJ)**

Chase's overall performance in this MSA is satisfactory, based on the bank's significant involvement in community development. Community development activity in MSA 5640 represented 45 percent of the total community development activity in the New Jersey delineation. Mortgage and small business lending performance was weak, due to poor penetration in low- and moderate-income census tracts, where there is substantial opportunity for both mortgage and small business lending.

Chase's community development activities in the delineated portion of MSA 5640, particularly in Essex and Union Counties, weighed heavily in the assessment of the bank's overall performance in the State of New Jersey in light of the high level of lending opportunities in these areas, particularly in low- and moderate-income census tracts. Relative to the total New Jersey delineation, the delineated portion of MSA 5640 contains 47 percent of the population, 60 percent of the population living in low- and moderate-income census tracts and 54 percent of the owner-occupied housing units in low- and moderate-income census tracts.

For analytical purposes, the delineated portion Morris County, part of MSA 5640, was not considered significant. There is only one moderate-income census tract in the Morris County portion of the delineation, containing 337 owner-occupied housing units and 309 small businesses, and no low-income census tracts.

## I. COMMUNITY DEVELOPMENT

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

In MSA 5640, Chase focused primarily on economic development activity. Direct economic development activity totaled \$11.2 million, and \$10.8 million of that figure, or 97 percent, was in the form of construction and permanent mortgage financing for a major cultural arts center located in an empowerment zone in downtown Newark. In addition, Chase provided \$2.9 million in affordable housing financing, resulting primarily in 91 units of affordable housing for the mentally disabled. Community service financing totaled \$264 thousand, while indirect loans and investments in support of economic development and affordable housing totaled \$216 thousand.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

#### **MORTGAGE ACTIVITY**

The bank's record of providing home purchase and refinance loans within low- and moderate-income census tracts in the delineated portion of MSA 5640 was weak. Overall, the demand-adjusted level of approvals in non-low- and moderate-income census tracts was two times greater than in low- and moderate-income census tracts. The demand-adjusted analysis for MSA 5640 focused primarily on Essex and Union Counties, which contain a significant number of low- and moderate-income census tracts. The greatest level of weakness was found in Union County, where there were almost four times the number of demand-adjusted approvals in non-low- and moderate-income census tracts as in low- and moderate-income census tracts. There were no applications or approvals for the low- and moderate-income census tracts in Plainfield or South Plainfield. All ten low- and moderate-income census tract loan approvals in Union County were for Elizabeth.

Activity in Essex County was somewhat better, but is nevertheless considered weak. Demand-adjusted approvals in the non-low- and moderate-income census tracts of Essex County exceeded those in low- and moderate-income census tracts by 1.7 times. In particular, weak loan penetration was found in the low- and moderate-income census tracts of Irvington, the Oranges and, to a lesser extent, Newark.

#### **SMALL BUSINESS LENDING ACTIVITY**

In MSA 5640, demand-adjusted small business lending was weak, and the overall volume of small business lending was low, in relation to lending opportunities. Overall, the demand-adjusted ratio for small business loan approvals was 4.6 times stronger in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. The weakest performance was found in Essex County, where demand-adjusted small business loan approvals were seven times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. Loan penetration was

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES (Cont.)

particularly weak in Newark, Irvington and The Oranges. Chase does not have a branch presence, however, in those communities. Chase approved only six small business loans in the low- and moderate-income census tracts of Essex County. There are 10,375 small businesses in the low- and moderate-income areas of Essex County, representing almost 42 percent of the small business establishments in the county.

Performance in Union County was stronger, but considered weak nevertheless. Loans in non-low- and moderate-income census tracts exceeded those in low- and moderate-income census tracts by 1.8 times. Minimal loan activity was noted in the City of Elizabeth, and no activity was noted in the Plainfields. Of the 3,615 small businesses located in the low- and moderate-income census tracts in Union County, only 7 obtained loans from Chase in 1996.

## III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase participates in various consortia which support small business development in Paterson, N.J.

### **MSA 0875 (BERGEN-PASSAIC, NJ)**

Chase's overall performance in the Bergen-Passaic MSA was reasonable. Mortgage and small business lending performance in low- and moderate-income census tracts was generally satisfactory. Demand-adjusted mortgage activity in Passaic County was strong. This county has the largest concentration of low- and moderate-income owner-occupied housing units in the MSA. Weakness was noted in small business lending performance in the Bergen County portion of the MSA.

Each of the Consolidated Plans for these counties emphasizes the need for affordable housing. (Consolidated Plans are submitted by counties and municipalities to the U.S. Department of Housing and Urban Development when applying for grants and subsidies. The plans outline community needs and present an action plan for use of the requested funds.) The two counties are characterized as having a tight housing market, with an MSA median housing value of \$213 thousand that is fully one-third higher than the state median of \$161,219, and a gross median rent of \$646 that is 10 percent higher than the state's median rent of \$592. In addition to the high median housing value, 87 percent of owner-occupied units cost over \$150 thousand, with only 1 percent of units costing less than \$60 thousand. In addition, the MSA contains urban centers, such as Paterson and Passaic, where older housing stock, much of it rental, is in need of rehabilitation. In general, both owner- and renter-occupied affordable housing is needed in the Bergen-Passaic MSA.

## I. COMMUNITY DEVELOPMENT

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

Community development activity in this MSA totaled \$2.4 million. Seventy-five percent, or \$1.8 million, of the amount represented a permanent mortgage loan on a 42-unit apartment building in Paterson. Chase also provided a \$250 thousand term loan for a small business development loan pool in Bergen County. Funding in support of community service initiatives totaled \$260 thousand.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

### MORTGAGE ACTIVITY

Overall, demand-adjusted home purchase and refinance lending activities in the low- and moderate-income census tracts of MSA 0875 was reasonable. The demand-adjusted ratio for home purchase and refinance applications was substantially similar in low- and moderate-income and non-low- and moderate-income census tracts. Activity in Passaic County showed strength, with the level of demand-adjusted loan approvals in low- and moderate-income census tracts somewhat greater than in non-low- and moderate-income census tracts. The reverse was true of activity in Bergen County, where the level of demand-adjusted approvals was somewhat greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts.

### SMALL BUSINESS LENDING ACTIVITY

Overall, demand-adjusted small business lending activity was reasonable in MSA 0875. At the MSA level, and in Passaic County, loan approvals were moderately stronger in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. Weaker performance, however, was found in Bergen County, where demand-adjusted lending in non-low- and moderate-income census tracts was almost twice that of lending in low- and moderate-income census tracts. The Cities of Lodi and Garfield, which contain predominately low- and moderate-income census tracts, showed no Chase small business lending activity. Chase, however, does not have a branch presence in these or surrounding municipalities.

## III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase participates in various consortia which support small business development in Bergen County.

**MSA 3640 (JERSEY CITY, NJ)**

Chase's performance in the Jersey City MSA was reasonable. Mortgage activity in MSA 3640 was satisfactory; small business lending activity, however, was considered weak, on the basis of poor penetration in low- and moderate-income census tracts and minimal loan volume. Chase has no full service retail branches in MSA 3640.

Community contacts in this MSA have identified both affordable housing and economic development needs, and cited Jersey City, which contains 40 percent of the MSA's population, as the area with the greatest needs. The lack of affordable housing is most often cited, inasmuch as the median household income in the county is \$30,917, while the median housing value is \$157,369. The area is also in need of economic development support. The economic growth in Jersey City has been primarily in the areas of wholesale and retail trade, finance, insurance, and real estate. Between 1982 and 1990, however, Jersey City lost 38 percent of its manufacturing base, which was far above the 22 percent loss experienced statewide. Employment trends have caused economic displacement and increased unemployment among local residents, and with the MSA experienced the second highest unemployment rate in the state. Community contacts identified the need for job training for the local residents, to include language and basic skills training for the city's foreign-born population, which comprises 25 percent of the total population.

**I. COMMUNITY DEVELOPMENT**

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

Chase made no direct community development loans or investments in MSA 3640. The bank's community development commitment consists of \$44 thousand in nonrecoverable grants and donations.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

**MORTGAGE ACTIVITY**

Within MSA 3640, demand-adjusted home purchase and refinance lending activity in low- and moderate-income census tracts was reasonable. Demand-adjusted performance was equivalent in low- and moderate-income census tracts and non-low- and moderate-income census tracts.

**SMALL BUSINESS LENDING ACTIVITY**

The volume of small business lending was very low in MSA 3640; Chase, however, has no branches in the MSA. Three small business loans were approved in low- and moderate-income census tracts, and 13 small business loans were approved in non-low- and moderate-income census tracts. In particular, Jersey City and Union City showed minimal overall small business lending activity. Within the MSA, there are 14,665 small businesses, of which 3,419, or 23 percent, are located in low- and moderate-income census tracts. Recent economic reports indicate that MSA 3640 is experiencing the greatest level of job growth within the bank's New Jersey delineation, as businesses, the majority of which are service-related, move into the Hudson River waterfront area. Additionally, a community contact in

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES  
(Cont.)**

Hudson County identified a need for micro-level small business loans for neighborhood stores and businesses located throughout the county.

**III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase offers small business loans, through consortia, to businesses within Hudson County.



## **CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS AND CRITERIA THAT PERTAIN SOLELY TO THE CRA PROCESS, DEMOGRAPHICS, AND ECONOMIC FACTORS**

**Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

### **COMMUNITY PROFILE**

The demographic and statistical information used here was obtained from the U.S. Department of Commerce Bureau of the Census, the New Jersey Department of Labor and the New Jersey Department of Economic Development, and in discussions with bankers and community groups. Population, housing and income data were based on the 1990 Census. At all times, the most current information available was used for unemployment and job data; availability dates, however, were not consistent for all types of information. Unemployment information was based on data from the U. S. Bureau of Labor Statistics. Job information was obtained from a survey of business establishments.

Chase's New Jersey delineated community encompasses all or part of 6 of New Jersey's 21 counties and includes all or part of 3 of New Jersey's 9 MSAs. Total population of New Jersey is 7.7 million. Over 44 percent, or 3.4 million, of that population lives within Chase's New Jersey delineation. Within the delineation, 28.1 percent of the population lives in low- and moderate-income areas. These low- and moderate-income areas are generally concentrated in Essex, Passaic and Union Counties.

A mild 1997 winter in New Jersey contributed to a drop in the unemployment rate in early 1997 and strong construction spending increases. Increased jobs in the service and wholesale/retail industries also aided the unemployment rate. The State's unemployment rate was 5.8 percent in July 1997, compared with 6.5 percent a year earlier.

From June 1996 to June 1997, employment levels rose, overall, in the delineated portion of New Jersey, with the exception of Passaic County. The majority of jobs created were service jobs. Employment in services increased by approximately 20 thousand. This was largely the result of growth in business services and the current trend among employers to cut costs by using temporary workers leased from personnel agencies and outsourcing some operations. Manufacturing jobs declined over the year. Although the pace of the decline has slowed, corporate downsizing, mergers and the ongoing erosion of the manufacturing base continue to account for overall job losses. Losses were especially noticeable in the food products and apparel industries.

<b>Tract Characteristics</b>	<b>Total Delineation</b>
Total Number of Census Tracts	858
LESS: Tracts with zero population/housing	55
Number of Tracts for Analysis	803
Number of LMI Tracts	265
% of LMI Tracts	33%
Number of Minority Tracts (>=80%)	188
% Minority Tracts	23%
Number of LMI Minority Tracts	150
% LMI Minority Tracts	19%

<b>Tract Demographics</b>	<b>Total Delineation</b>
Population	3,389,676
Population in LMI Tracts	923,364
% Population in LMI Tracts	27%
Minority Population	616,737
% Minority	18%
Minority Population in LMI Tracts	485,616
% Minority Population in LMI Tracts	14%
Number Owner-Occupied Units	678,981
Number Owner-Occupied Units in LMI Tracts	93,120
% Owner-Occupied Units in LMI Tracts	14%

**MSA 5640 (Newark, NJ)**

Of the five counties in this MSA, Chase's delineation consists only of Essex and Union Counties and the eastern half, approximately, of Morris County. The population of 1.6 million represents 47.1 percent of Chase's New Jersey State delineated area population. Thirty-five percent of the MSA's population resides in low- and moderate-income census tracts. Of the 383 census tracts considered for analysis in this MSA, 165 census tracts, or 43.1 percent, are low- and moderate-income tracts. Of the delineated portion of MSA 5640, 553 thousand people, or 35.4 percent of the MSA's delineated area population, live in low- and moderate-income census tracts located primarily in Essex and Union Counties. Low- and moderate-income census tracts in Union County are generally located in Elizabeth and Plainfield. In Essex County, the majority of

low- and moderate-income census tracts are located in Newark, Irvington, Orange and East Orange. Newark, the largest city in New Jersey, is one of the five poorest cities in the nation. The bank's Morris County delineation contains no low- and moderate-income areas.

There are 561 thousand occupied housing units in the MSA 5640 delineation. Of this total, approximately 315 thousand units, or 56 percent, are owner-occupied. Approximately 16 percent of the owner-occupied housing units in the delineation are in low- and moderate-income census tracts.

While the 1990 Census showed a median household income in MSA 5640 of \$42,175, income levels vary greatly by county. In Essex County, the median household income was \$34,518. In Union and Morris Counties it was \$41,791 and \$56,368, respectively.

Between 1990 and 1994, the MSA experienced a 5.1 percent decline in employment. The service industries showed no job growth and service-producing industries experienced a 3.5 percent decline in employment. Double-digit declines in employment took place in the manufacturing, construction, finance, insurance and real estate industries. Economic conditions are slowly improving. Activity in the services, wholesale/retail trade, and construction industries contributed to an overall employment gain in 1997. The majority of gains in the services sector came in business services, while health service jobs declined. Area hospitals continued to respond to the changing market through various cost-cutting measures, layoffs and mergers. For example, the United Medical Center in Newark closed in February 1997, resulting in the loss of some 1,300 jobs. Jobs in the transportation sector are increasing as a result of the ongoing expansion of Newark International Airport and the increasing number of warehouses/distribution centers in the region. Total employment in the MSA is slowly advancing. Overall, the unemployment rate declined from 6.6 percent in July 1996 to 5.9 percent in July 1997.

<b>Tract Characteristics</b>	<b>MSA 5640 (Newark, NJ)</b>
Total Number of Census Tracts	394
LESS: Tracts with Zero Population/Housing	11
Number of Tracts for Analysis	383
Number of LMI Tracts	165
% of LMI Tracts	43.1%
Number of Minority Tracts (>=80%)	128
% Minority Tracts	33.4%
Number of LMI Minority Tracts	113
% LMI Minority Tracts	29.5%

<b>Tract Demographics</b>	<b>MSA 5640 (Newark, NJ)</b>
Population	1,558,673
Population in LMI Tracts	552,673
% Population in LMI Tracts By MSA	35.4%
% MSA population in LMI Tracts to Assessment Area Population in LMI Tracts	9.4%
Minority Population	399,284
% Minority	25.6%
Minority Population in LMI Tracts	346,400
% Minority Population in LMI Tracts	22.2%
Number Owner-Occupied Units	314,699
Number Owner-Occupied Units in LMI Tracts	50,665
% Owner-Occupied units in LMI Tracts	16.1%

**MSA 0875 (Bergen-Passaic, NJ)**

The two counties (Bergen and Passaic) making up MSA 0875 have a combined population of 1.3 million, 38.2 percent of Chase's New Jersey State delineated area population. Twenty-three percent of the MSA's population lives in low- and moderate-income census tracts. Of the 264 census tracts considered for analysis, 25.8 percent, are low- and moderate-income tracts. In Passaic County, the majority of the low- and moderate-income census tracts are located in Paterson, Passaic and Clifton. In Bergen County, the majority of moderate-income tracts are found in Garfield and Lodi.

Almost 61 percent of occupied housing units are owner-occupied in this MSA. The median housing value in 1990 was \$213 thousand. Only 4 percent of owner-occupied housing was valued at less than \$100 thousand. According to the 1990 census, the median household income for the MSA was \$45,040; there is considerable variance, however, between counties. In Bergen County, the median household income was \$49,250, while in Passaic County, it was \$37,596.

Employment in the MSA declined between 1990 and 1994. The services industry was the only major industry to record an employment increase, 3.8 percent, during this period. Employment was virtually unchanged during 1996 in Passaic and Bergen Counties. From December 1995 to December 1996, total employment edged up by only 100 jobs in Passaic County and 800 jobs in Bergen County. During the early part of 1997, the number of jobs grew slightly in Bergen County, but declined marginally in Passaic County; the total number, however, of jobs is less than a year ago. Almost all new jobs were in the service sector. In Passaic

County, these gains were offset by a continuing decline in manufacturing jobs. Unemployment in the MSA, which includes both counties, declined between July 1996 and July 1997 from 6.9 percent to 6.0 percent, slightly higher than the state figure of 5.8 percent.

<b>Tract Characteristics</b>	<b>MSA 0875 (Bergen-Passaic, NJ)</b>
Total Number of Census Tracts	303
LESS: Tracts with Zero Population/Housing	39
Number of Tracts for Analysis	264
Number of LMI Tracts	68
% of LMI Tracts	25.8%
Number of Minority Tracts (>=80%)	27
% Minority Tracts	10.2%
Number of LMI Minority Tracts	24
% LMI Minority Tracts	9.1%

<b>Tract Demographics</b>	<b>MSA 0875 (Bergen-Passaic, NJ)</b>
Population	1,277,980
Population in LMI Tracts	292,961
% Population in LMI Tracts By MSA	22.9%
% MSA population in LMI Tracts to Assessment Area Population in LMI Tracts	5.0%
Minority Population	110,944
% Minority	8.7%
Minority Population in LMI Tracts	99,835
% Minority Population in LMI Tracts	7.8%
Number Owner-Occupied Units	296,445
Number Owner-Occupied Units in LMI Tracts	34,985
% Owner-Occupied units in LMI Tracts	11.8%

### **MSA 3640 (Jersey City, NJ)**

Hudson County, geographically the smallest of the 21 New Jersey counties, makes up this MSA. It is the most densely populated county in New Jersey, with a population of 553 thousand, 16.3 percent of Chase's New Jersey delineated community. Of the 156 census tracts considered for analysis, 20.5 percent are low-

and moderate-income tracts. Almost 20 percent of the MSA's population lives in these low- and moderate-income census tracts. Jersey City, the second largest city in New Jersey, has the largest concentration of low- and moderate-income census tracts in Hudson County.

There are 209 thousand occupied housing units, of which only 32.5 percent are owner-occupied. Just over 11 percent of the owner-occupied housing units are located in low- and moderate-income census tracts. Rental property consists primarily of structures containing five or more units.

The 1990 median household income in MSA 3640 was \$30,917. When compared with a median housing value of \$157,369, it is apparent that home ownership is not affordable for a large segment of the population.

Between 1990 and 1994, the MSA experienced a dramatic drop in employment of 1.9 percent. The hardest-hit industries were manufacturing, construction and retail trade. The finance/insurance/ real estate sectors, however, experienced a major increase of 21.3 percent in employment for this same period. This increase is attributed to efforts by Manhattan-based businesses to reduce costs by moving a portion of their operations to Hudson County.

During 1995 and 1996, employment in the MSA climbed. From December 1995 to December 1996, employment was up by 2,100, or 0.9 percent, which was slightly below the statewide gain of 1.1 percent. During the first half of 1997, job growth continued to move steadily forward with an increase of 3,300, or 1.4 percent, between June 1996 and June 1997. Employment gains resulted mainly from advances in the services and finance/insurance/real estate sectors. In late 1996, both Coopers & Lybrand and the Dow Jones News Ticker Services moved to Jersey City; these two relocations from Manhattan to New Jersey helped to increase employment by almost 700 jobs in the services sector. Many of these and other such jobs, however, have been taken by commuters, causing the unemployment rate to remain high. The unemployment rate in MSA 3640 has declined from 10 percent in July 1996 to 8.7 percent in July 1997. That figure is considerably higher than the state unemployment level of 5.8 percent in July 1997, and the second highest of the 8 MSAs in the state.

<b>Tract Characteristics</b>	<b>MSA 3640 (Jersey City, NJ)</b>
Total Number of Census Tracts	161
LESS: Tracts with Zero Population/Housing	5
Number of Tracts for Analysis	156
Number of LMI Tracts	32
% of LMI Tracts	20.5%
Number of Minority Tracts (>=80%)	33
% Minority Tracts	21.2%
Number of LMI Minority Tracts	13
% LMI Minority Tracts	8.3%

<b>Tract Demographics</b>	<b>MSA 3640(Jersey City, NJ)</b>
Population	553,023
Population in LMI Tracts	107,730
% Population in LMI Tracts By MSA	19.5%
% MSA population in LMI Tracts to Assessment Area Population in LMI Tracts	1.8%
Minority Population	106,509
% Minority	19.3%
Minority Population in LMI Tracts	39,381
% Minority Population in LMI Tracts	7.1%
Number Owner-Occupied Units	67,837
Number Owner-Occupied Units in LMI Tracts	7,470
% Owner-Occupied units in LMI Tracts	11.0%

## STATE OF CONNECTICUT

### CRA RATING FOR THE STATE OF CONNECTICUT: *SATISFACTORY*

Chase's level of compliance with the Community Reinvestment Act in Connecticut is assessed as "Satisfactory." Community development activities weighed heavily in the assessment of the bank's overall performance in the state of Connecticut. Bank management has exhibited a firm commitment to CRA through strong participation in community development projects and programs that support economic development and affordable housing. Management offers a full range of credit products, including a varied line of special credit products with flexible terms and criteria that support home ownership and small businesses in the low- and moderate-income portions of the community. Residential mortgage and small business loan volume was weak in certain areas of the bank's delineated community relative to lending opportunities. The high cost of housing and a high median family income level pose significant challenges for banks in addressing residential mortgage credit needs in certain low- and moderate-income areas. Despite these mitigating factors however, overall residential mortgage and small business lending performance is considered weak in low- and moderate-income census tracts, on a demand-adjusted basis (that is, on the basis of a comparison of the proportion of loan applications and approvals per thousand owner-occupied housing units in the low- and moderate-income census tracts with the proportion of loan applications and approvals per thousand owner-occupied housing units in non-low- and moderate-income census tracts).

### SCOPE OF EXAMINATION

The examination period covered activity in 1996, and for community development activity only, also included the first quarter of 1997. The analysis included all home purchase and refinance loans within the bank's Connecticut delineation that were approved by Chase, as well as such loans approved by its affiliates, Chase Manhattan Mortgage Corporation and Chase Manhattan Servicing. Home improvement loans were excluded from this analysis in light of the fact that prior to September 1996 the bank opted, as permitted under Regulation C, not to collect information related to an applicant's intended use of proceeds from home equity loans not classified by the bank as home improvement loans and from home equity lines of credit. Therefore, analysis of the limited home improvement loan activity reported subsequent to September 1996 would not be indicative of the bank's overall performance.

The small business loan analysis included loans originated or purchased by Chase and its subsidiary, Chase Automotive Financing, within the bank's Connecticut delineation. The definition of small business loans in Regulation BB, Section 228.12(u) refers to the definition of such loans in the instructions for preparation of the Consolidated Report of 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). For purposes of this analysis only those small business loans of \$1 million or less to businesses with gross annual revenues of \$1 million or less, based on the revenues the bank considered in making the credit decision were considered.

Performance in all MSAs (metropolitan statistical areas) in the bank's delineation was reviewed as part of this examination. The analysis primarily focused on MSA 5480 (New Haven-Meriden, CT), MSA 3280 (Hartford, CT), MSA 8040 (Stamford-Norwalk, CT) and MSA 1160 (Bridgeport, CT), inasmuch as these MSAs represent the greatest concentration of population and lending opportunities in low- and moderate-income census tracts.



**DESCRIPTION OF THE BANK’S OPERATIONS IN CONNECTICUT**

Chase’s Connecticut branch network had been established by The Chase Manhattan Bank, N.A. prior to its merger with Chemical Bank on July 14, 1996. Forty-nine full service branch offices and one remote automated teller machine (ATM) location were acquired by the resulting bank.

Exhibit D, which follows, shows the location of branches by county, as of March 10, 1997. The total represents eight percent of the bank’s overall full service retail branch network. Of Connecticut’s total full service retail branches, 24 percent are located in low- and moderate-income census tracts.

**Exhibit D**

**NUMBER OF CHASE FULL SERVICE BRANCHES BY COUNTY**

County	Number of Branches	Number of Branches in Low- and Moderate-Income Census Tracts
Fairfield County	35	9
New Haven County	11	2
Hartford County	2	1
Litchfield County	1	0
<b>Connecticut Totals</b>	<b>49</b>	<b>12</b>

This branch network serves a community delineation that consists of all or portions of six MSAs. The delineation includes two communities as follows:

- C The Fairfield/New Haven Community: All of Fairfield and New Haven Counties and the southern portion of Litchfield County. The delineation consists of all of MSA 8040 (Stamford-Norwalk, CT), consisting of portions of Fairfield County; all of MSA 1160 (Bridgeport, CT), consisting of portions of Fairfield and New Haven Counties; all of MSA 8880 (Waterbury, CT), consisting of portions of New Haven and Litchfield Counties; all of MSA 1930 (Danbury, CT), consisting of portions of Fairfield and Litchfield Counties; and portions of MSA 5480 (New Haven-Meriden, CT), consisting of portions of New Haven County. In Litchfield County, the following contiguous municipalities are included in the delineation: Bethlehem, Bridgewater, New Milford, Roxbury, Tomaston, Washington, Watertown, and Woodbury.
- C The Hartford Community: Portions of MSA 3280 (Hartford, CT) consisting of the towns of West Hartford, East Hartford and the City of Hartford.

There are 494 total census tracts in the overall delineation that contain occupied housing units. Of those, 159, or 32 percent, are considered low- and moderate-income census tracts. Total population is approximately 2 million, of which about 549 thousand, or 28 percent, reside in low- and moderate-income census tracts. There are 461,000 owner-occupied housing units in the delineation, of which approximately 63,000, or 14 percent, are in low- and moderate-income census tracts.

The Connecticut delineation contains about nine percent of the total population in the bank's overall delineation. It also contains approximately 8 percent of the population living in low- and moderate-income census tracts and 13 percent of low- and moderate-income census tract owner-occupied housing units in the overall delineation.

In 1996, there were approximately 75 thousand small businesses located in the Connecticut delineation. They represent about 11 percent of all the small businesses in Chase's tri-state delineation. Of the small businesses in Connecticut, 25,519 or 52 percent, are located in low- and moderate-income census tracts.

Lending activity in Connecticut consisted of about 12 percent (1,889 of 15,812) of all home purchase and refinance approvals and three percent (189 of 7,222) of all small business loan originations reported by Chase in 1996.

## **CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS IN CONNECTICUT**

Overall conclusions with respect to Chase's performance in Connecticut are based primarily on performance in MSA 5480 (New Haven-Meriden, CT), MSA 3280 (Hartford, CT), MSA 8040 (Stamford-Norwalk, CT) and MSA 1160 (Bridgeport, CT). These MSAs contain a significant portion of the population and small businesses in the Connecticut delineation, particularly in low- and moderate-income census tracts. Combined, MSA 8880 (Waterbury, CT) and MSA 1930 (Danbury, CT) contain only 15 percent of owner-occupied housing units and 17.5 percent of small businesses in the low- and moderate-income census tracts of the Connecticut delineation. Additionally, the Litchfield County portions of MSA 8880 and MSA 1930 were not considered significant for the purposes of this analysis, for the following reasons: In MSA 8880, the Litchfield County portion of the delineation contains no low- and moderate-income census tracts, and in MSA 1930 there are only 882 owner-occupied housing units and 432 small businesses in the low- and moderate-income census tracts of Litchfield County.

### **I. COMMUNITY DEVELOPMENT**

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

The level of community development activity in the bank's delineated portion of Connecticut is considered outstanding. Community development activity in Connecticut totals \$25 million, and represents 4 percent of the bank's total community development activity. Included in the \$25 million figure is \$15.9 million which the bank committed to financial intermediaries through loans and investments in community development corporations, community loan corporations, and low-income housing tax credits relating to low- and moderate-income housing and economic development throughout the bank's Connecticut delineation. In addition to the \$25 million, Chase's community development activity is supplemented by a standby letter of credit for \$14.5 million supporting the rehabilitation of 270 affordable housing units. The bank's distribution of its community development activity in the state is concentrated primarily in the areas where the needs were most pronounced.

Approximately 93 percent of community development activity within the Connecticut delineation supports affordable housing projects and initiatives. It represents 300 units of affordable housing for low- and moderate-income individuals, in addition to the 270 units supported by the standby letter of credit. Economic development and community service activity collectively represent 7 percent of the bank's community development activity. Affordable housing is cited as a primary need in the

**I. COMMUNITY DEVELOPMENT (Cont.)**

majority of Consolidated Plans reviewed as part of this examination. (Consolidated Plans are submitted by counties and municipalities to the U.S. Department of Housing and Urban Development (HUD) when applying for grants and subsidies. The plans outline community needs and present an action plan for use of the requested funds.)

The larger part of Chase's direct community development commitment, \$10.9 million, is concentrated in three MSAs: MSA 1160 (Bridgeport, CT), MSA 5480 (New Haven-Meriden, CT) and MSA 8040 (Stamford-Norwalk, CT). According to their respective Consolidated Plans, the Bridgeport and New Haven-Meriden MSAs contain two of the most economically depressed cities in the United States, Bridgeport and New Haven, while the Stamford-Norwalk MSA represents what is known to be the fourth least affordable housing market in the country. Thus, the bank's community development activity is concentrated in areas which appear to have the greatest need in the assessment area.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

Chase's efforts to help meet the credit needs of its Connecticut delineation, including low- and moderate-income areas, needs improvement. Mortgage and small business loan activity, on a demand-adjusted basis, was weak. On an MSA-by-MSA basis, performance varied somewhat, showing different degrees of strength or weakness in lending in low- and moderate-income census tracts.

Chase demonstrated reasonable demand-adjusted mortgage lending performance in MSA 8880 (Waterbury, CT). Reasonable performance was found in MSA 3280 (Hartford, CT), MSA 1160 (Bridgeport, CT) and MSA 1930 (Danbury, CT). Weak demand-adjusted mortgage performance was noted in MSA 5480 (New Haven-Meriden, CT) and MSA 8040 (Stamford-Norwalk, CT). In these MSAs, the average level of demand-adjusted lending in non-low- and moderate-income census tracts was 1.8 times greater than in low- and moderate-income census tracts. In the Stamford-Norwalk MSA, however, the high level of housing costs had a significant impact on the demand-adjusted analysis.

Generally, Chase's small business loans are reasonably distributed between low- and moderate-income census tracts and non-low- and moderate-income census tracts but overall penetration of small business loans in Connecticut is not consistent with demographic characteristics or community credit needs. In 1996, Chase originated only 189 small business loans in the Connecticut delineation. This represents 3 percent (189 of 7,222) of all of Chase's small business lending in its entire delineation. There are approximately 75 thousand small businesses in the Connecticut delineation, representing 11 percent (75,051 of 696,860) of all small businesses in the bank's entire delineation. Consolidated Plans for the Cities of Bridgeport, Stamford and Waterbury specifically noted the need for small business financing within their communities, as these and other western Connecticut areas within the bank's delineation work to replace jobs lost during the recent decline in the manufacturing sector.

Particularly weak small business lending performance was found in MSA 5480 (New Haven-Meriden, CT), MSA 3280 (Hartford, CT) and MSA 1930 (Danbury, CT), where there were very few loan originations in the low- and moderate-income census tracts. In 1996, Chase originated only five small business loans in the low- and moderate-income census tracts in these three MSAs. Within the three MSAs, there are approximately 14 thousand small businesses located in low- and moderate-income census tracts.

Chase demonstrated reasonable demand-adjusted small business loan performance in MSA 8040 (Stamford-Norwalk, CT). On a demand-adjusted basis, small business lending was strong in MSA 8880 (Waterbury, CT), where loan originations in low- and moderate- income census tracts exceeded those in non-low- and moderate-income census tracts by 1.5 times.

A discussion regarding the bank's lending performance in each MSA in the Connecticut delineation can be found beginning on page 111.

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

The number and location of Chase's branches are discussed in the "Description of the Institution's Operation in Connecticut" in the preceding section of this report. Chase maintains an adequate branch closing policy which conforms to the Joint Interagency Policy Statement Regarding Branch Closings. Details regarding the bank's branch closing policy are provided on page 17.

Since the July 14, 1996 merger of Chemical Bank and Chase Manhattan Bank, N.A., there have been no branch openings or closings in Connecticut. As of March 10, 1997, the bank notified regulatory authorities of its intention to close one branch in Bridgeport, later in 1997. The branch is not located in a low- and moderate-income census tract.

**III. MARKETING AND TYPE OF CREDIT OFFERED AND EXTENDED**

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

Chase offers the following government insured, guaranteed, or subsidized loan programs specifically for Connecticut: the Connecticut Development Authority's Urban Lending Program, the CHFA (Connecticut Housing Finance Authority) Bond Program, the CHFA Homeownership Program, and the CHFA Down Payment Assistance Payment Program.

## METROPOLITAN STATISTICAL AREA (MSA) ANALYSIS

### CONCLUSIONS WITH RESPECT TO THE ASSESSMENT FACTORS THAT DEAL WITH PERFORMANCE

Additional details regarding the bank's performance under various assessment factors at the MSA level follow:

#### MSA 5480 (NEW HAVEN-MERIDEN, CT)

Chase had a significant level of community development activity in the New Haven-Meriden MSA. Mortgage and small business lending performance was weak in the MSA, as a result of poor penetration in low- and moderate-income census tracts. MSA 5480 is the most populous in the bank's Connecticut delineation and contains the largest concentration of owner-occupied housing units in low- and moderate-income census tracts. The City of New Haven is the largest city in the MSA. The 1995 Consolidated Plan states that New Haven's homeownership rate is 31.8 percent, or approximately half the national rate. Fifty-five percent of the households in New Haven are low- and moderate-income and, combined with a lack of available land for development, this has posed problems with respect to housing affordability and availability.

#### I. COMMUNITY DEVELOPMENT

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

The bank's community development commitment in this MSA totaled \$4.3 million. This commitment represents 38 percent of the bank's community development activity in the State of Connecticut, and is dedicated to affordable housing projects in the City of New Haven. Chase's projects and initiatives in this MSA provided for the rehabilitation of 216 affordable housing units.

#### II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

#### MORTGAGE ACTIVITY

On a demand-adjusted basis, home purchase and refinance activity in low- and moderate-income census tracts was weak in the delineated portion of this MSA. Overall, the demand-adjusted level of approvals was 1.6 times greater in non-low- and moderate-income census tracts than in low- and moderate-income census tracts. Low lending volume was noted in the City of New Haven, which contains 62 percent (10,572 of 17,157) of low- and moderate-income census tract owner-occupied housing units in the delineated portion of the MSA.

## SMALL BUSINESS LENDING ACTIVITY

Chase's small business lending performance in the delineated portion of MSA 5480 was very weak when compared with lending opportunities. The volume of small business lending was minimal, with only 1 loan origination in low- and moderate-income census tracts and 17 originations in non-low- and moderate-income census tracts. In the delineated portion of MSA 5480, there are 5,703 small businesses located in low- and moderate-income census tracts and 13,253 in non-low- and moderate-income census tracts.

### MSA 3280 (HARTFORD, CT)

Chase's overall performance in the MSA needs to improve. Mortgage activity was reasonable, given the low level of owner-occupied housing units in low- and moderate-income census tracts. However, small business loan volume was weak, particularly in low- and moderate-income census tracts.

Chase has delineated a very small portion of MSA 3280 as part of its community. The delineation includes only West Hartford, Hartford and East Hartford. These three cities have suffered economically as a result of downsizing in the defense industry, one of the primary sources of employment for the area. The delineation's unemployment rate of 7.9 percent is significantly higher than the state's rate of 5.3 percent. The delineated portion of the MSA has affordable housing needs, and economic development needs that provide opportunities for community development.

#### I. COMMUNITY DEVELOPMENT

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

Direct community development activity within MSA 3280 totaled \$16 thousand in various grants and donations. The bank's direct activity is supplemented by a standby letter of credit for \$14.5 million in support of the rehabilitation of 270 units of affordable housing for mentally handicapped adults.

#### II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

#### MORTGAGE ACTIVITY

Overall, the bank's record of providing home purchase and refinance loans in the low- and moderate-income areas of the delineated portion of this MSA was reasonable. On a demand- adjusted basis, applications and approvals in low- and moderate-income census tracts were equivalent to those in non-low- and moderate-income census tracts. Low loan volumes, however, were noted in the low- and moderate-income census tracts in the City of Hartford.



## **SMALL BUSINESS LENDING ACTIVITY**

Small business lending performance in the Hartford MSA was very weak in relation to lending opportunities. The overall level of lending activity was minimal, with only five loan originations. No loan originations were in low- and moderate-income census tracts. There are 9,309 small businesses in the delineation, 5,185 of which are located in low- and moderate-income census tracts. There is a strong need to support small businesses in the delineated portion of this MSA. It is an area that is working toward reestablishing its economic base after large declines in the defense industry. The State of Connecticut recently designated a State Enterprise Zone in East Hartford, and all communities are working to revitalize their central business districts.

### **III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase offers the House Hartford residential mortgage product within Hartford, Connecticut.

#### **MSA 8040 (STAMFORD-NORWALK, CT)**

The bank's overall performance in MSA 8040 was reasonable. Community development activity strongly supports affordable housing initiatives in the community. Small business lending activity was reasonable; however, mortgage activity, on a demand-adjusted basis, showed weakness, with poor penetration in low- and moderate-income census tracts.

MSA 8040 contains some of the wealthiest communities in the United States, and exhibits some of the highest housing costs in the nation. The influx of major corporations in the 1970's and 1980's and the proximity to New York City contributed to a drastic increase in property values, creating a tight housing market. The median family income in the Stamford-Norwalk MSA, adjusted by HUD in 1997, is \$87,278. The average value of housing for all households is \$297,022. In certain communities of the MSA, however, such as the cities of Stamford and Norwalk, family incomes fall below the MSA median income level. Consequently, housing affordability in these areas is a concern.

#### **I. COMMUNITY DEVELOPMENT**

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

Chase's community development activity in MSA 8040 totaled \$3.6 million, of which \$3.1 million, or 85 percent, represents direct financing initiatives. Direct and indirect loans for affordable housing are 98 percent of total activity in the MSA, and resulted in the construction or rehabilitation of 62 units of affordable housing. The largest loan was a \$2.9 million construction loan for the total rehabilitation of 48 affordable housing units in the City of Stamford.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

### **MORTGAGE ACTIVITY**

Home mortgage and refinance loan penetration was strong in this MSA; on a demand adjusted basis, however, application and approval activity in low- and moderate-income census tracts was weak. Demand-adjusted applications and approvals in non-low- and moderate-income census tracts were more than twice those in low- and moderate-income census tracts.

Loan approvals were found in 87 percent (20 out of 23) of the low- and moderate-income census tracts in the delineation, which are primarily found in the cities of Stamford and Norwalk. However, the volume of such approvals was low when compared to volumes in non-low- and moderate-income census tracts. This reflects the strong demand for Chase's jumbo mortgage products (loans exceeding \$214,000) in communities such as Darien, Greenwich, New Canaan and Wilton, where housing costs are extremely high. Even in the low- and moderate-income census tracts of MSA 8040, 65 percent of owner-occupied housing units require jumbo mortgages.

### **SMALL BUSINESS LENDING ACTIVITY**

Within MSA 8040, demand-adjusted small business lending activity in low- and moderate-income census tracts was reasonable. Lending levels in low- and moderate-income census tracts are slightly lower than in non-low- and moderate-income census tracts. The most recent Consolidated Plan for Stamford indicates a need to supply small businesses with access to capital and technical assistance for business planning.

### **MSA 1160 (BRIDGEPORT, CT)**

Chase's performance in MSA 1160 was reasonable. Mortgage and small business lending performance, on a demand-adjusted basis, was satisfactory, with approvals in non-low- and moderate-income census tracts approximately the same level as in low- and moderate-income census tracts.

MSA 1160 contains the City of Bridgeport, one of the poorest cities in the nation. Bridgeport was historically dependent on the defense industry as its primary source of employment. The downsizing of that industry has contributed significantly to the MSA's July 1997 unemployment rate of 6.3 percent, the highest of any MSA in the State of Connecticut. An eight percent unemployment rate in Bridgeport was the primary contributor to the MSA's high unemployment rate. The Consolidated Plan submitted by the city listed one of its primary goals as the retention and expansion of existing businesses.

## I. COMMUNITY DEVELOPMENT

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

Chase's community development activity in the Bridgeport MSA totaled \$3 million. Activity is evenly divided between economic development and affordable housing projects and initiatives. Chase also made a total of \$15 thousand in nonrecoverable grants and donations dedicated to community services.

Affordable housing initiatives are financed through direct loans, while economic development initiatives are financed primarily through loans and investments to financial intermediaries. Economic development activity includes a \$250 thousand line of credit, as well as a \$250 thousand equity investment in a small business loan fund in Bridgeport. The remaining \$1 million of economic development activity is an equity investment in a community economic development loan corporation which serves Bridgeport and surrounding communities.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

#### **MORTGAGE ACTIVITY**

Overall, home purchase and refinance loan application and approval activity was reasonable in the Bridgeport MSA. On a demand-adjusted basis, applications and approvals were at approximately the same level for low- and moderate-income and non-low- and moderate-income census tracts. All but 2 of the 30 low- and moderate-income census tracts in the MSA's Fairfield County delineation are located in the City of Bridgeport. All approved loans in the low- and moderate-income census tracts in the Fairfield County portion of the MSA were in Bridgeport. There is little opportunity for lending in low- and moderate-income areas of the New Haven County portion of the MSA, where there are only 1,802 owner-occupied housing units.

#### **SMALL BUSINESS LENDING ACTIVITY**

On a demand-adjusted basis, reasonable small business loan performance was found in MSA 1160. In the Fairfield County portion of the delineation, demand-adjusted originations were slightly greater in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. There was little opportunity for low- and moderate-income census tract small business lending in the New Haven portion of the delineation, with only 509 small businesses located there.

### III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

**Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase offers ACORN condominium/cooperative residential mortgage products within Bridgeport, Connecticut.

#### **MSA 8880 (WATERBURY, CT)**

Performance in the Waterbury MSA needs to improve. Based on performance in the New Haven portion of the MSA, demand-adjusted mortgage and small business lending activity appeared reasonable; however, the actual volume of lending in low- and moderate-income census tracts was very low. There are no low- and moderate-income census tracts in the Litchfield County portion of the MSA delineation. The MSA 8880 delineation contains the City of Waterbury, the fourth largest city in Connecticut. Waterbury contains 50 percent of the MSA's population. Forty-seven percent of the city's households have incomes below 80 percent of the MSA median family income of \$49,100. The city's Consolidated Plan discusses affordable housing needs. It notes that the housing inventory in the city is generally affordable and that many of the houses for sale in Waterbury are within reach of households earning above 50 percent of the median family income. Home ownership is a problem for the households with low-income, (below 50 percent of the median family income). Downpayment assistance is a stated need in the City's Consolidated Plan.

Waterbury is a manufacturing community within the largest Enterprise Zone in Connecticut and has a market labor force of over 100,000. The unemployment rate is significantly higher than the state unemployment rate. As an entitlement community, the city receives HUD, Community Development Block Grant and Emergency Shelter Grant funds. In 1995, the city received over \$4 million in funding from these sources. In addition to these funds, the city received a \$13 million dollar allocation of Section 108 Loan funds from HUD, funds which the community is obligated to repay. The Consolidated Plan lists small business financing and employment training as two high priority areas within the community.

#### **I. COMMUNITY DEVELOPMENT**

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

Community development activity in MSA 8880 consisted of \$327 thousand in various nonrecoverable grants and donations to organizations which primarily support affordable housing and economic development initiatives.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.**

### **MORTGAGE ACTIVITY**

On a demand-adjusted basis, the level of home purchase and refinance activity was reasonable in this MSA. Approvals were 1.2 times greater in low- and moderate-income census tracts than in non-low- and moderate-income tracts. However, the volume of loan approvals in low- and moderate-income census tracts was low. Chase approved only 15 mortgage loans in low- and moderate-income census tracts in 1996.

### **SMALL BUSINESS LENDING ACTIVITY**

Within MSA 8880, the overall small business lending activity in low- and moderate- income census tracts was strong, on a demand-adjusted basis. The demand-adjusted ratio for small business loan originations was 1.5 times greater in low- and moderate-income census tracts than in non-low- and moderate-income census tracts. In 1996, Chase approved 10 small business loans in low- and moderate-income census tracts and 20 small business loans in non-low- and moderate-income census tracts within MSA 8880.

### **MSA 1930 (DANBURY, CT)**

Chase's performance in MSA 1930 needs to improve. On a demand-adjusted basis, mortgage activity in the Fairfield County portion of the MSA was reasonable; small business activity, however, was very weak in relation to available lending opportunities. Like many of the older industrial cities in Connecticut, Danbury saw a rise in unemployment as its manufacturing base declined. The city's economy is shifting to a more service-oriented and retail base as new businesses come into the area, and a revitalization of the downtown area progresses.

Although the MSA's median family income of \$60,472 in 1990 is substantially higher than the national median of \$35,939, there is a sizable portion of the population with incomes below that level. According to 1990 census data, approximately 27 percent of the Danbury population is classified as low- and moderate-income. Danbury's Consolidated Plan states that high housing costs in the area resulting from an influx of major corporations in surrounding communities has caused a housing affordability problem for low- and moderate-income families.

## I. COMMUNITY DEVELOPMENT

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

The bank's community development activity in the Danbury MSA totaled \$12 thousand in nonrecoverable grants and donations to community service organizations.

## II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

**Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

### MORTGAGE ACTIVITY

Home purchase and refinance lending was reasonable in this MSA. Demand-adjusted application and approval activity in low- and moderate-income census tracts was equivalent to that in non-low- and moderate-income census tracts. There is little opportunity for lending in the low- and moderate- income areas of the Litchfield County portion of the MSA, where there is only one low- and moderate-income census tract, containing 882 owner-occupied housing units.

### SMALL BUSINESS LENDING ACTIVITY

The volume of small business lending was low within MSA 1930 in relation to lending opportunities. There are 8,764 small businesses in the delineation, of which 2,696 are located in low- and moderate-income census tracts. During 1996, Chase originated only 4 small business loans in low- and moderate-income census tracts and 14 in non-low- and moderate-income census tracts.

## **CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS AND CRITERIA THAT PERTAIN SOLELY TO THE CRA PROCESS, DEMOGRAPHICS, AND ECONOMIC FACTORS**

**Assessment Factor K- The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

### **COMMUNITY PROFILE**

The demographic and statistical information used in this analysis was obtained from the U.S. Department of Commerce Bureau of the Census, the U.S. Bureau of Labor Statistics, the Connecticut Department of Economic Development and the U.S. Department of Housing and Urban Development Office of Community Planning and Development. Population, housing and income data were obtained from the 1990 Census. At all times, the most current information available was used for unemployment and job data; availability dates, however, were not consistent for all types of information. Unemployment information was based on data from the U.S. Bureau of Labor Statistics. Job information was obtained from a survey of business establishments.

Chase's delineated community includes almost 2 million of the 3.3 million people in the state, all or part of 4 of Connecticut's 8 counties, and all or part of 6 of the 8 MSAs in the state. The delineation encompasses the southwestern portion of the state and the Hartford area.

The state delineation contains 494 census tracts for analysis purposes, 159 of which, or 32 percent, are low- and moderate-income. Some 549 thousand people, or 28 percent of Chase's Connecticut delineation, live in low- and moderate-income census tracts.

Occupied housing units in the state's delineation total 730 thousand. Of this total, 461 thousand, or 63 percent, are owner-occupied. Some 14 percent of owner-occupied housing units are located in low- and moderate-income census tracts.

Connecticut continues to recover from employment losses that started in 1989 and continued through the 1991-1992 U.S. recession. Recovery has been slow because the state was hit harder and longer than most areas of the country. Cutbacks in defense spending at the national level have had a major impact on many communities, such as Bridgeport and East Hartford, which relied heavily on defense-related employment. There are many other manufacturing cities in the delineation--New Haven, Waterbury, Danbury--that thrived during the post-World War II era and are now working to compensate for the loss of jobs by making the transition to a more service-oriented economy. As of April 1997, nonfarm employment estimates had increased by 1.5 percent to almost 1.6 million people from one year earlier. Connecticut continues to lag behind U.S. job growth and, as a result, the state's unemployment rate of 5.3 percent was somewhat higher than the U.S. rate of 5.0 percent in July 1997.

Economically, the delineated area exhibits sharp contrasts. Some of the wealthiest communities in the nation, such as Greenwich, New Canaan and Darien, are located in Chase's Connecticut delineation. At the same time, the cities of Bridgeport and New Haven, considered two of the poorest cities in the United States, are also located there. In the 1970's and 1980's, corporations began to move their headquarters to the suburban portions of the delineation, bringing more affluent residents to those suburban areas and driving up housing costs, while the cities came to have significant concentrations of low- and moderate-income residents.

<b>Tract Characteristics</b>	<b>Total Connecticut Delineation</b>
Total Number of Census Tracts	501
LESS: Tracts with Zero Population/Housing	7
Number of Tracts for Analysis	494
Number of LMI Tracts	159
% LMI Tracts	32%
Number of Minority Tracts	45
% Minority Tracts	9%
Number of LMI Minority Tracts	42
% LMI Minority Tracts	9%

<b>Tract Demographics</b>	<b>Total Connecticut Delineation</b>
Population	1,951,847
Population in LMI Tracts	548,690
% Population in LMI Tracts	28%
Minority Population	144,187
% Minority Population	7%
Minority Population in LMI Tracts	129,053
% Minority Population in LMI Tracts	7%
Number Owner-Occupied Housing Units	461,072
Number Owner-Occupied Housing Units in LMI Tracts	63,222
% Owner-Occupied Units in LMI Tracts	14%

**MSA 5480 (New Haven-Meriden, CT)**

This MSA contains almost all of New Haven County and the southwestern corner of Middlesex County. The population is 513 thousand, and represents 26.3 percent of Chase's Connecticut delineated community population. Of the 119 census tracts considered for analysis, 31 percent are of low- and moderate-income. Some 143 thousand people, or almost 28 percent of the population, live in low- and moderate-income census tracts. Low- and moderate-income census tracts are concentrated in the City of New Haven and Meriden. Based on the 1990 Census, median family income for the MSA is \$46,805. Fifty-five percent of households in New Haven are considered low- and moderate-income.



Occupied housing units in the MSA total 193 thousand. Of this total, 120 thousand, or almost 62 percent, are owner-occupied. Some 14.3 percent of owner-occupied housing units and 50 percent of occupied rental units are located in low- and moderate-income census tracts. In the City of New Haven, only 31.8 percent of housing units are owner-occupied. New Haven is an old and built-up city with little space available for new housing construction.

Between 1990 and 1994, New Haven County experienced a 4.8 percent decline in employment. With the exception of the service sector, all of the primary industries providing employment experienced job losses during this period. Wholesale, construction, finance, insurance and real estate industries have experienced double-digit job losses during this period. In recent years, service jobs have been increasing, helping to reduce the area's high unemployment rate. The New Haven-Meriden MSA unemployment rate stood at 5.5 percent, as of July 1997, compared to 6.5 percent in July 1996.

<b>Tract Characteristics</b>	<b>MSA 5480 (New Haven-Meriden, CT)</b>
Total Number of Census Tracts	122
LESS: Tracts with Zero Population/Housing	3
Number of Tracts for Analysis	119
Number of LMI Tracts	37
% of LMI Tracts	31.1%
Number of Minority Tracts (>=80%)	5
% Minority Tracts	42.0%
Number of LMI Minority Tracts	5
% LMI Minority Tracts	42.0%

<b>Tract Demographics</b>	<b>MSA 5480 (New Haven-Meriden, CT)</b>
Population	512,593
Population in LMI Tracts	143,195
% Population in LMI Tracts by MSA	27.9%
% MSA Population in LMI Tracts to Assessment Area Population in LMI Tracts	2.4%
Minority Population	28,146
% Minority Population	5.5%
Minority Population in LMI Tracts	28,146
% Minority Population in LMI Tracts	5.5%
Number Owner-Occupied Units	119,554
Number Owner-Occupied Units in LMI Tracts	17,157
% Owner-Occupied Units in LMI Tracts	14.4%

**MSA 3280 (Hartford, CT)**

In this MSA, Chase's delineation consists of the Towns of West Hartford, East Hartford and the City of Hartford (Hartford County), with a combined population of 250 thousand, representing 12.8 percent of the bank's total Connecticut delineated area population. Approximately 133 thousand people, or 52.9 percent of the MSA's population, live in low- and moderate-income tracts. Within the MSA, the median family income in 1990 was \$48,418.

The delineation includes almost 96 thousand occupied housing units, of which 43.6 percent are owner-occupied. Approximately 25 percent of owner-occupied housing units are located in low- and moderate-income census tracts, while approximately 73 percent of renter-occupied housing units are located there.

Between 1990 and 1994, employment in Hartford County declined by almost 9 percent. The service industry was the only industry not to experience a drop in employment. Farming, manufacturing, construction, mining, wholesale and finance, insurance and real estate industries experienced double-digit reductions in employment over this three-year period.

As of May 1997, the unadjusted unemployment rate was 5.3 percent in MSA 3280. Within Chase's delineated community, the unemployment rate stood at 7.9 percent, with the City of Hartford experiencing an unemployment rate of 10.7 percent. Cutbacks in national defense spending have had a drastic impact on the area. In particular, East Hartford relied heavily on employment from Pratt & Whitney, which continues to downsize its operations in the community.

<b>Tract Characteristics</b>	<b>MSA 3280 (Hartford, CT)</b>
Total Number of Census Tracts	80
LESS: Tracts with Zero Population/Housing	0
Number of Tracts for Analysis	80
Number of LMI Tracts	45
% LMI Tracts	56.3%
Number of Minority Tracts (>=80%)	23
% Minority Tracts	28.8%
Number of LMI/Minority Tracts	21
% LMI Minority tracts	26.3%

<b>Tract Demographics</b>	<b>MSA 3280 (Hartford, CT)</b>
Population	250,351
Population in LMI Tracts	132,507
% Population in LMI Tracts	52.9%
% MSA Population in LMI Tracts to Assessment Area Population in LMI Tracts	2.3%
Minority Population	65,983
% Minority	26.4%
Minority Population in LMI Tracts	56,478
% Minority Population in LMI Tracts	22.6%
Number Owner-Occupied Units	41,855
Number Owner -Occupied Units in LMI Tracts	10,421
% Owner-Occupied Units in LMI Tracts	24.9%

**MSA 8040 (Stamford-Norwalk, CT)**

The Stamford MSA consists of the southwestern area of Fairfield County. The MSA has a population of 330 thousand, representing 16.9 percent of Chase's state delineated community. Of the 82 census tracts considered for analysis, 28 percent are low- and moderate-income census tracts. Almost 101 thousand, or 30.6 percent, of the MSA's population live in low- and moderate-income tracts, located primarily in Stamford and Norwalk.

The MSA contains 125 thousand occupied housing units, of which 67.3 percent are owner-occupied. Almost 18.6 percent of owner-occupied housing units and 62.2 percent of occupied rental units are located in low- and moderate-income census tracts. Multifamily housing structures contain 15 percent of the housing units in the MSA.

The unemployment rate in MSA 8040 was 3.1 percent, as of May 1997. The unemployment rate for the Cities of Norwalk and Stamford was 3.7 percent and 3.9 percent, respectively. Fairfield County employment trends between 1990 and 1994 were very similar to those reported previously for New Haven County. The county experienced a 3.4 percent decline in employment. Except for the service sector, all primary industries of employment experienced job losses during this period. Manufacturing and construction industries had the highest percentages, 13.4 percent and 14.3 percent, respectively, of job losses. New jobs in the service sector are helping to alleviate unemployment.

MSA 8040 is characterized by very high family incomes and expensive housing stock. According to the 1990 Census, the median family income for this MSA was \$69,403. The HUD-adjusted median family income for 1997 rose to \$86,600. Currently, the average value of housing for all households is \$297,022. A 1993 National Association of Home Builders study of housing affordability ranked this area as the fourth least affordable housing market in the United States.

<b>Tract Characteristics</b>	<b>MSA 8040 (Stamford, CT)</b>
Total Number of Census Tracts	82
LESS: Tracts with Zero Population/Housing	0
Number of Tracts for Analysis	82
Number of LMI Tracts	23
% LMI Tracts	28.0%
Number of Minority Tracts (>=80%)	2
% Minority Tracts	24.0%
Number of LMI Minority Tracts	2
% LMI Minority Tracts	24.0%

Tract Demographics	MSA 8040 (Stamford, CT)
Population	329,942
Population in LMI Tracts	100,917
% Population in LMI Tracts	30.6%
% MSA Population in LMI Tracts to Assessment Area Population in LMI Tracts	
Minority Population	6,091
% Minority Population	1.8%
Minority Population in LMI Tracts	6,091
% Minority Population in LMI Tracts	1.8%
Number Owner-Occupied Housing Units	84,102
Number Owner-Occupied Units in LMI Tracts	15,629
% Owner-Occupied Units in LMI Tracts	18.6%

**MSA 1160 (Bridgeport, CT)**

MSA 1160 includes the southeastern area of Fairfield County and the western edge of New Haven County. This delineation has a population of 444 thousand, representing almost 23 percent of the bank's Connecticut delineated community. Of the 114 census tracts considered for analysis, 30 percent are low- and moderate-income census tracts. Residents living within these low- and moderate-income census tracts constitute 22 percent of the population. Low- and moderate-income census tracts are located primarily in Bridgeport. The MSA's median family income in 1990 was \$48,221.

Occupied housing units in the MSA total 163 thousand. Of this total, 110 thousand, or 67.7 percent, are owner-occupied. Only 9.4 percent of owner-occupied housing units and 44.6 percent of occupied rental units are located in low- and moderate-income census tracts. Multifamily housing structures contain 15 percent of the housing units.

As of July 1997, the unemployment rate in the Bridgeport MSA was 6.3 percent, a full percent higher than the state's unemployment rate of 5.3 percent, but considerably improved from the July 1996 rate of 7.4 percent. The overall unemployment rate is negatively affected by the City of Bridgeport, where the unemployment rate exceeds 8 percent. Bridgeport was largely dependent on the defense sector of the economy, which continues to decline. For employment information in Fairfield County, refer to the prior discussion for MSA 8040 (Stamford-Norwalk, CT), above on page 125.

<b>Tract Characteristics</b>	<b>MSA 1160 (Bridgeport, CT)</b>
Total Number of Census tracts	116
LESS: Tracts with Zero Population/Housing	2
Number of Tracts for Analysis	114
Number of LMI Tracts	34
% LMI Tracts	29.8%
Number of Minority Tracts (>+80%)	14
% Minority Tracts	12.3%
Number of LMI Minority Tracts	13
% LMI Minority Tracts	11.4%

<b>Tract Demographics</b>	<b>MSA 1160 (Bridgeport, CT)</b>
Population	443,722
Population in LMI Tracts	97,020
% Population in LMI Tracts	21.9%
% MSA Population in LMI Tracts to Assessment Area Population in LMI Tracts	1.7%
Minority Population	40,323
% Minority Population	9.1%
Minority Population in LMI Tracts	34,694
% Minority Population in LMI Tracts	78.0%
Number Owner-Occupied Housing Units	110,346
Number Owner-Occupied Units in LMI Tracts	10,354
% Owner-Occupied Units in LMI Tracts	9.4%

**MSA 8880 (Waterbury, CT)**

Chase's delineation includes the entire MSA, consisting of northern New Haven County and the southeastern corner of Litchfield County. The MSA has a population of 222 thousand, or 11.4 percent of Chase's Connecticut delineation. Over 17 percent of the population resides in low- and moderate-income census tracts. Of the 51 census tracts considered for analysis, 23.5 percent are low- and moderate-income and located in Waterbury. The MSA median family income was \$45,198, according to the 1990 Census. Within the City of Waterbury, 47 percent of households are considered low- and moderate-income.

Occupied housing units in the MSA total 84.4 thousand, of which over 53.4 thousand, or 63 percent, are owner-occupied. Only 7 percent of owner occupied housing units and 35.3 percent of occupied rental units are located in low- and moderate-income census tracts. Multifamily housing structures contain about one-half the number of rental units in the MSA

Between 1990 and 1994, Litchfield County had a 2.8 percent decrease in the number of people employed. Manufacturing and construction industries experienced the largest percentage decreases, 8.9 percent and 10.3 percent, respectively, in unemployment.

As of May 1997, the Waterbury Labor Market unemployment rate was 5.7 percent. Only the City of Waterbury's 7.4 percent unemployment rate exceeded the labor market's rate. Waterbury has the largest Enterprise Zone in Connecticut and a market labor force of well over 100,000. Dominant local industries engage in such business activity as the production of electrical fittings, specialty chemicals, electronics, and parts assembly.



<b>Tract Characteristics</b>	<b>MSA 8880 (Waterbury, CT)</b>
Total Number of Census Tracts	53
LESS: Tracts with Zero Population/Housing	2
Number of Tracts for Analysis	51
Number of LMI Tracts	12
% LMI Tracts	23.5%
Number of Minority Tracts (>=80%)	1
% Minority Tracts	2.0%
Number of LMI Minority Tracts	1
% LMI Minority Tracts	2.0%

<b>Tract Demographics</b>	<b>MSA 8880 (Waterbury, CT)</b>
Population	221,629
Population in LMI Tracts	37,911
% Population in LMI Tracts By MSA	17.1%
% MSA Population in LMI Tracts to Assessment Area Population in LMI Tracts	.6%
Minority Population	3,644
% Minority Population	1.6%
Minority Population in LMI Tracts	3,644
% Minority Population in LMI Tracts	1.6%
Number Owner-Occupied Housing Units	53,442
Number Owner-Occupied Units in LMI Tracts	3,834
% Owner-Occupied Units in LMI Tracts	7.2%

**MSA 1930 (Danbury, CT)**

In this MSA, the bank's delineation consists of the remaining portion of Fairfield County not in MSA 8040 or MSA 1160 and the southern portion Litchfield County. The delineation contains 194 thousand people, representing 10 percent of Chase's Connecticut delineation. Almost 17 percent of the 48 census tracts in the delineated community are low- and moderate-income. Approximately 19 percent of the population resides in low- and moderate-income tracts, in the City of Danbury. In 1990, the median family income for the MSA was \$60,472, the second highest in Chase's Connecticut delineation. Approximately 27 percent of the MSA's population is considered low- and moderate-income.

The MSA contains 69 thousand occupied housing units. Of this total, 51.8 thousand, or 75 percent, are owner-occupied. Over 11.3 percent of owner-occupied housing units and 47.2 percent of occupied rental housing units are located in low- and moderate-income census tracts. Approximately 50 percent of multifamily housing is located in low- and moderate-income census tracts.

In July 1997, the unadjusted unemployment rate for the Danbury MSA was 3.9 percent. For information about employment sectors, refer to the Litchfield and Fairfield employment discussions for MSA 8880 (Waterbury, CT) and MSA 8040 (Stamford-Norwalk, CT), respectively.

<b>Tract Characteristics</b>	<b>MSA 1930 (Danbury, CT)</b>
Total Number of Census tracts	48
LESS: Tracts with Zero Population/Housing	0
Number of Tracts for Analysis	48
Number of LMI Tracts	8
% LMI Tracts	16.7%
Number of Minority Tracts	0
% Minority Tracts	0%
Number of LMI Minority	0
% LMI Minority Tracts	0%

<b>Tract Characteristics</b>	<b>MSA 1930 (Danbury, CT)</b>
Population	193,610
Population in LMI Tracts	37,140
% Population in LMI Tracts	19.2%
% MSA Population in LMI Tracts to Assessment Area Population in LMI Tracts	.6%
Minority Population	0
% Minority Population	0%
Minority Population in LMI Tracts	0
% Minority Population in LMI Tracts	0%
Number Owner-Occupied Units	51,773
Number Owner-Occupied Units in LMI Tracts	5,827
% Owner-Occupied Units in LMI Tracts	11.3%

## COMMONWEALTH OF PUERTO RICO

### CRA RATING FOR THE COMMONWEALTH OF PUERTO RICO: *OUTSTANDING*

Chase's level of compliance with the Community Reinvestment Act in Puerto Rico is assessed as "outstanding." The bank has made a substantial community development commitment to support the construction of affordable housing for low- and moderate-income residents. In Puerto Rico, Chase's CRA commitment is addressed through community development activities. The bank has a middle market presence, and focuses on the credit needs of middle market businesses and government sectors. Consequently, the bank does not offer consumer mortgage or small business loans in Puerto Rico.

### SCOPE OF THE EXAMINATION

The examination period covered community development activity in 1996 and the first quarter of 1997.

### DESCRIPTION OF THE BANK'S OPERATION IN PUERTO RICO

As of March 10, 1997, Chase maintained one middle market branch in Hato Rey (San Juan), Puerto Rico. The branch was a branch of the Chase Manhattan Bank, N.A. prior to its merger with Chemical Bank on July 14, 1996 and is located in a moderate-income census tract.

Chase's delineated community in Puerto Rico consists of MSA 7440 (San Juan-Bayamon), which includes the contiguous municipalities of Catano, San Juan, Carolina, Bayamon, Guaynabo and Trujillo Alto. There are 260 census tracts in this delineation that contain housing units, of which 62 census tracts, or 24 percent, are low- and moderate-income. The total number of owner-occupied housing units within the delineation is approximately 212 thousand, with 29 thousand, or 14 percent, located in low- and moderate-income census tracts. Total population within the delineation is approximately 1 million, of which 19 percent, or 196 thousand, lives in low- and moderate-income census tracts.

As noted above, Chase maintains a middle market presence in Puerto Rico, focusing on the middle market business and government sectors. Requests for other forms of credit are generally referred to other Chase operating units or affiliates. Credit cards are available in Puerto Rico through Chase Manhattan Bank USA, N.A.'s 1-800-CHASE 24 number.

### CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS IN PUERTO RICO

#### I. COMMUNITY DEVELOPMENT

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

Chase's community development activity in Puerto Rico was outstanding. Community development commitments in Puerto Rico totaled \$9.5 million, and consisted of two separate construction lines of credit. One construction loan for \$5.4 million was for the development of 97 detached single-family units built under a special affordable housing program administered by the Rural Economic and Community Development Program ("RECD"). These homes are made available by the RECD only to pre-qualified low- and moderate-income families, who receive subsidies, 100% financing with decreased

**I. COMMUNITY DEVELOPMENT (Cont.)**

interest rates, and closing cost assistance. The second loan for \$4.1 million was to a developer who specializes in the construction of “turn-key” affordable housing projects for various municipalities. The project will provide 144 single-family residences for low- and moderate-income first-time homeowners who have been pre-qualified by the Municipality of San Juan’s Housing Department. Qualified borrowers will receive grant subsidies from the Federal HOME Grant Program. This project required Chase to provide special commitments and covenants to the Municipality of San Juan in order to qualify as the lender for the development.

**II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

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

The number and location of Chase’s branches are discussed in the above section of this report-- “Description of the Institution’s Operations in Puerto Rico.” Chase maintains an adequate branch closing policy which conforms to the Joint Interagency Policy Statement Regarding Branch Closings. No Chase offices have been opened or closed since the merger of Chemical Bank and The Chase Manhattan Bank, N.A. on July 14, 1996.

**CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS AND CRITERIA THAT PERTAIN SOLELY TO THE CRA PROCESS, DEMOGRAPHICS, AND ECONOMIC FACTORS.**

**Assessment Factor K- The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

The demographic and statistical information used in this analysis was obtained from the U. S. Department of Commerce Bureau of the Census, the Puerto Rico Housing Department, the U. S. Department of Housing and Urban Development Office of Community Planning and Development, and a report prepared by Estudios Tecnicos, Inc., for the Puerto Rico Bankers Association.

Chase's delineated community in Puerto Rico includes part of MSA 7440 (San Juan-Bayamon, PR). The delineation contains approximately 29 percent of Puerto Rico's 3.5 million people and approximately 28 percent of the 760 thousand owner-occupied housing on the island. Per capita personal income in Puerto Rico was \$7,296 in 1995. Nearly 60 percent of the population lives under the U.S.-defined poverty line, with the highest poverty rates for the oldest and youngest residents of the island.

The economy of Puerto Rico has been plagued by high poverty, unemployment and inflation while exhibiting slow economic growth. The economy has also suffered from slow technological progress and limited investment in the country's infrastructure. Puerto Rico's 1996-1997 indicators, however, show modest income, employment and investment growth. The economy is strongly tied to economic conditions in the United States, and strong performance in the United States during the first half of 1997 has had a positive impact on the economy in Puerto Rico.

The four major sources of employment are as follows: service sector (24 percent), government (22 percent), wholesale/ retail (20 percent), and manufacturing (16 percent). Major manufacturing industries are pharmaceuticals, electronics, apparel and food processing. Also, tourism plays an important role in the island's economy.

The growth of manufacturing is directly linked to the enactment of Section 936 of the U.S. Internal Revenue Code, which provided tax incentives to U.S. corporations that established operations on the island. As a result, many manufacturers, most notably pharmaceutical, electrical, and chemical companies, have invested heavily in the Puerto Rican economy. Changes to the tax code in May 1996 repealed Section 936 and provided for a ten-year phase-out period. Consequently, many corporations are reconsidering their operations in Puerto Rico, which may have significant adverse effects on the manufacturing sector, as well as a rippling effect throughout the economy.

The loss of Section 936 incentives carries significant implications for banks in Puerto Rico. Section 936 required that income earned by United States subsidiaries on the island be deposited in Puerto Rico for at least six months. Funds had to be used for economic development purposes in Puerto Rico or in other countries in the Caribbean Basin. The loss of 936 funds has resulted in an increase in the cost of funds available to banks for loan purposes.

Two immediate problems facing Puerto Rico are unemployment and inadequate housing. Historically, high unemployment has been a chronic problem in Puerto Rico. For the past decade, rates of unemployment have been 16 percent or higher for the island. In MSA 7440, the unemployment rate has declined to 11.3 percent in July 1997.

A 1994 study of the demand for housing in Puerto Rico, prepared by Estudios Tecnicos, Inc. for the Puerto Rico Bankers Association, showed significant demand for housing including units costing less than \$40 thousand that cannot be met through the private sector. As of 1990, there was a need for almost 89 thousand units, which would amount to 7.5 percent of the housing stock, to eliminate overcrowding and substandard housing. Further, an additional 18.4 thousand housing units will be needed annually, including 7.8 thousand low-cost affordable housing units.

## UNITED STATES VIRGIN ISLANDS

### CRA RATING FOR THE UNITED STATES VIRGIN ISLANDS: *SATISFACTORY*

Chase’s level of compliance with the Community Reinvestment Act in the United States Virgin Islands (“USVI”) is assessed as “Satisfactory.” Bank management made a significant commitment to CRA with strong participation in available community development projects and programs that support both affordable housing and economic development. A wide range of credit products, including special products with flexible terms and criteria that support home ownership and small businesses, are offered in the USVI. In light of conditions on the islands in the aftermath of hurricane devastation in late 1995, the bank’s products were responsive to local community credit needs, and loan originations were reasonably distributed among the islands and their various communities.

### SCOPE OF EXAMINATION

The examination period covered activity for 1996, and for community development also included the first quarter of 1997. Mortgage and small business loan origination data was supplied by management, since reporting requirements under Regulation C are not applicable with respect to dwellings in United States Territories.

### DESCRIPTION OF THE BANK’S OPERATIONS IN THE UNITED STATES VIRGIN ISLANDS (USVI)

As of March 10, 1997, Chase maintained 7 full service retail branches and 11 remote automated teller machine (ATM) locations in the USVI. Two branches are located in low- and moderate-income areas. These were branches of The Chase Manhattan Bank, N.A. prior to its merger with Chemical Bank on July 14, 1996. Exhibit E, which follows, shows the number of branch locations by island. There are no branches located on Water Island.

#### Exhibit E

#### NUMBER OF CHASE FULL SERVICE BRANCHES BY NON-MSA AREAS U S VIRGIN ISLANDS

Non-MSA Area	Number of Branches	Number of Branches in Low- and Moderate- Income BNAs
St. Thomas (USVI)	4	1
St. Croix (USVI)	2	1
St. John (USVI)	1	0
TOTALS	7	2



On St. Thomas, branches are located in the communities of Charlotte Amalie, Estate Charlotte Amalie, Red Hook and Sugar Estate. On St. Croix, branches are in Christiansted and Frederiksted. The office on St. John is located in Cruz Bay.

Chase's community in the USVI includes the non-MSA islands of St. Thomas, St. Croix, St. John and Water Island. Water Island was added to the delineation on January 1, 1997, when the United States Government officially added it to the Territory of the USVI.

There are 33 block numbering areas (BNAs) in the USVI delineation that contain housing units. Eight of the BNAs are considered low- and moderate-income. The total population in the delineation is approximately 102 thousand and represents less than 1 percent of the total population in Chase's overall community delineation. As of the 1990 Census, there were approximately 39 thousand housing units in the USVI. Two hurricanes that damaged the islands in 1995 greatly reduced this number and an exact count of housing units remaining is not known at this time.

Home purchase and refinance mortgage activity in the USVI represents less than two percent of such 1996 activity in Chase's overall delineation. Small business lending is less than one percent of the 1996 bank total.

## **CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS IN THE UNITED STATES VIRGIN ISLANDS**

### **I. COMMUNITY DEVELOPMENT**

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

The bank's community development activity in the USVI totaled \$1.2 million. The bank's commitment included a \$200 thousand line of credit to a construction company for hurricane relief efforts on St. Thomas. The line of credit provided working capital necessary for immediate roof repairs for low- and moderate-income residents who were without adequate insurance coverage. This roofing program was sponsored by the Federal Emergency Management Agency after Hurricane Marilyn. The bank also committed to an \$800 thousand loan for the construction of 22 affordable housing units on the Island of St. Croix in conjunction with the Virgin Islands Housing Finance Authority. The bank's third loan was a \$181 thousand construction line of credit used to rehabilitate 20 units of a senior citizen center on St. Croix.

### **II. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

#### **Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications and credit denials.**

Chase's efforts to help meet the credit needs of all portions of its delineation in the USVI, including low- and moderate-income areas, are satisfactory. The level of mortgage and small business lending is considered reasonable, on the basis of available lending opportunities.

## **MORTGAGE ACTIVITY**

In 1996, Chase originated 266 mortgage loans totaling \$40.5 million. Of these loans, 197 (72 percent) were on St. Thomas, while 48 (18 percent) were on St. Croix and 21 (8 percent) on St. John. With only 604 owner-occupied housing units, there are few lending opportunities on St. John. A major portion of St. John is dedicated as a national park. Maps provided by management indicate that mortgage originations were reasonably disbursed throughout the various islands.

## **SMALL BUSINESS LENDING ACTIVITY**

The bank originated 22 small business loans in 1996 totaling \$1.9 million. Of those loans, 19 loans totaling \$1.7 million were originated on St. Thomas. The remaining loans were originated on St. Croix.

Small business lending opportunities in the USVI were limited in 1996. As a result of the devastation from hurricanes in late 1995, the United States Small Business Loan Administration provided direct loans at 4 percent interest.

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

The number and location of Chase's branches are discussed in the "Description of the Institution's Operations in the United States Virgin Islands (USVI)" in the prior section of this report. Chase maintains an adequate branch closing policy which conforms to the Joint Interagency Policy Statement Regarding Branch Closing. Details regarding the bank's branch closing policy are provided on page 17.

Since the July 14, 1996 merger of Chemical Bank and The Chase Manhattan Bank, N.A., no offices have been opened or closed in the USVI community delineation.

## **III. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

### **Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small loans within its community, or the purchase of such loans originated in its community.**

Chase offers the following loan products specifically within the United States Virgin Islands: the "as is" mortgage, the 95% loan-to-value mortgage, the taxi medallion loan, and the small business home equity line of credit.

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

Chase offers the following government insured, guaranteed, or subsidized loan programs specifically within the United States Virgin Islands: the Virgin Islands Housing Finance Authority Mortgage Bond Program and Rural Development Service Loans.

**CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS AND CRITERIA THAT PERTAIN SOLELY TO THE CRA PROCESS, DEMOGRAPHICS, AND ECONOMIC FACTORS.**

**Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.**

**U. S. Virgin Islands Delineated Community**

The demographic and statistical information used in this analysis was obtained from the U. S. Department of Commerce Bureau of the Census, the U. S. Virgin Islands Department of Labor and the U. S. Virgin Islands Housing Authority.

The United States Virgin Islands, located about 70 miles east of Puerto Rico, consists of three major islands and 50 smaller islands and cays. The Virgin Islands are a self-governing unincorporated territory of the United States and have elected their Governor and legislators since 1970. Chase's delineation includes the three main islands of St. Thomas, St. John and St. Croix, which contain almost 100 percent of the territory's population, as well as Water Island.

The population in 1990 was 102 thousand, with 50 thousand residing on St. Croix, 48 thousand on St. Thomas and 3.5 thousand on St. John. Approximately 52 percent of the land on St. John is a national park reserve. The per capital income for the territory in 1995 was only \$12 thousand so that one-third of the population is classified as living in poverty.

There are approximately 39 thousand occupied housing units in the Virgin Islands, the majority of which are equally divided between St. Thomas and St. Croix. Almost 52 percent of the units are owner-occupied. Approximately 49 percent of residents are renters. Although owners of private houses tend to create apartments for rental because of high construction costs, the majority of renters reside in public housing. There is little housing on the Virgin Islands that sells for below \$150 thousand. The lack of affordable housing is a result of the diminishing availability of owned land suitable for residential development, the high cost of available land, and the small size of the construction industry on the islands.

The territory's economy is based primarily on tourism, and two-thirds of its gross product is derived from this source of revenue. Other economic activities, located primarily on St. Croix, include rum manufacture, petroleum refining and watch assembly, and the production of textiles, electronics, pharmaceuticals and perfume. The Hess Oil Refinery, on St. Croix, is the largest private employer in the territory. The Federal and Territorial governments employ about 25 percent of the labor force. Service industries provide 34 percent of jobs, retail trade accounts for 20 percent and construction and manufacturing represent 13 percent.

Late in 1995, the islands were devastated by Hurricanes Luis and Marilyn. These storms severely affected housing units, businesses and jobs. Local officials estimated that 75 percent of the housing units on St. Thomas and 10 percent of the housing units on St. Croix were damaged or destroyed. Damage on St. John was minimal. Further, it is estimated that these storms caused the loss of 2,500 jobs, and total employment declined by 5.2 percent. Almost one out of every three private sector jobs was lost in the tourist sector, the mainstay of the territory's economy. Extensive damage to the island's infrastructure and tourist facilities hampered efforts to generate job growth in 1996. As of April 1997,

the USVI labor force totaled 45,920 people, with an overall unemployment rate of 5.7 percent.

**CONCLUSIONS WITH RESPECT TO ASSESSMENT FACTORS AND CRITERIA THAT PERTAIN SOLELY TO THE CRA PROCESS.**

**Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.**

Chase's ascertainment activities are effective in identifying the credit needs of its communities. The bank has ongoing, meaningful contact with a wide variety of individuals, local groups and community-based organizations. In addition, senior management regularly collects and analyzes local demographic data, and performs systematic reviews of the bank's lending performance. Subsequent to the previous examination, ascertainment activities were conducted through the various activities of the Community Development Group ("CDG"), as described below, and the Community Advisory Board ("CAB"), as well as a pre-merger survey conducted in conjunction with the merger of The Chase Manhattan Bank, N.A. and Chemical Bank. Other supplementary information was obtained from smaller-scale surveys, research studies, regular business activities, and Chase officer memberships on boards of various community organizations.

The CDG has primary responsibility for administering Chase's CRA program and for the ascertainment of community credit needs. The CDG has the following eight units which directly promote CRA activities: (1) CRA Compliance, Marketing and Communications, (2) Chase Community Development Corporation, (3) Community Relations Department, (4) Corporate Social Responsibility, (5) Minority- and Women-Owned Business Development Group, (6) Residential Mortgage Lending, (7) Fair Lending Compliance, and (8) Product Development, Research and Administration. The CDG is managed by an executive vice president who reports directly to the Vice Chairman of Tri-State Regional Banking. The semi-autonomous structure of the CDG demonstrates the high priority that Chase's board of directors places on CRA and community development.

The CRA Compliance, Marketing and Communications Unit manages bank-wide compliance with the CRA, including the development of the bank's CRA strategic plan. The Senior Vice President and CRA Officer coordinates with all areas of Chase and keeps the Office of the Chairman and the board of directors well informed about the CRA performance of all subsidiaries.

Chase Community Development Corporation ("CCDC") provides financing for the construction and rehabilitation of affordable housing, commercial revitalization, not-for-profit community organizations and certain small businesses in need of non-conventional funding.

The Community Relations Department directs the Streetbanker Program, a primary method used by Chase to ascertain credit needs in the low- and moderate-income communities within the tri-state area. Streetbankers meet regularly with community leaders ranging from local political officials to the presidents of community-based organizations and maintain ongoing, meaningful contact with these individuals and groups. The Streetbankers discuss the credit needs of the community and inform community contacts of Chase's plans in the community. The Streetbankers focus on community based not-for-profit organizations and micro-business initiatives, and provide technical assistance, grants and in-kind donations. They refer organizations to different areas of the bank, such as the Residential or Commercial Lending Departments, for loans or grants, when appropriate.

The Corporate Social Responsibility Group performs ascertainment as part of its regular operations. The group administers several grant and contribution programs, including the Housing Opportunities, Recoverable Grants and Competitive Grants Programs. Through the grant application process, the bank gathers information about the community groups, as well as about the people and businesses the groups serve.

The Minority- and Women-Owned Business Development Group provides an equal opportunity for minority- and women-owned business enterprises (“MWBEs”) to bid on vendor contracts directly with Chase, and receive technical assistance. Outreach is performed utilizing lists from other corporations, MWBE directories, advertising and seminars.

The CDG Residential Mortgage Lending Unit administers Chase’s Affordable Mortgage Program. This program specializes in providing residential mortgage financing to low- and moderate-income individuals.

The Fair Lending Compliance Unit monitors the bank’s consumer and small business lending areas for compliance with fair lending laws and regulations. Each lending area has implemented a fair lending plan tailored specifically to its products. The plans address marketing, sales, credit policy, product development and training, in relation to fair lending.

The Product Development, Research and Administration Unit prepares management information reports based on corporate and market performance data, including HMDA and CRA data. Senior management incorporates this information when developing new credit products and programs. The department has responsibility for developing credit products tailored to low- and moderate-income consumers.

The CAB (Community Advisory Board) consists of 43 community leaders from the tri-state area and upstate New York. The CAB has existed for six years, as a Chemical group and currently as an expanded Chase advisory unit. Board members are primarily the presidents and CEOs of major not-for-profit organizations and local community leaders. The members represent interests in small business and economic development, affordable housing, social services, and education. The board provides Chase with input and feedback from the community about specific community development issues, including branch closings and Chase’s community development commitment. Many of the suggestions of the CAB were used by the bank. For example, the CAB suggested a large-scale survey of community organizations to determine the actual needs of the community. Chase conducted the survey and used the results in making its \$18.1 billion pre-merger community investment commitment. The CAN-DO and Houses of Worship programs were developed based on the suggestions of CAB members. These programs are explained on page 26 and page 27 respectively. In addition, based on input from the board, Chase spoke to members of the community and agreed to sell closed branches only to buyers approved by the local community. Moreover, through these leaders, Chase communicates to the community its plans and goals. The executive vice president in charge of the CDG attends all CAB meetings.

In 1995, before their merger, Chemical Bank and The Chase Manhattan Bank, N.A. conducted a comprehensive survey of local community groups to determine the needs of consumers and small businesses. Interviews were conducted with approximately 370 community organizations. Affordable housing and economic development were the primary community needs identified. Almost all groups surveyed requested assistance through grants, but many also requested technical assistance, equipment and training. Results of the survey were communicated to various departments, including the line managers of the CDG, Commercial and Professional Banking Group (“CPBG”) and National Affordable Mortgage Unit. The survey conclusions

were also presented to the CAB for feedback.

Based on the survey, Chase committed \$18.1 billion nationally for community development for the period 1996 to 2000. Of the commitment, \$4.2 billion was committed to New York State, of which \$3.2 billion was allocated for New York City, \$748 million to Connecticut, and \$527 million to New Jersey for community development. The CDG monitors Chase's lending performance in relation to the commitment, and communicates the results to senior management, as well as the CAB. Based on survey results, Chase implemented The Employment Initiative Program and established the Non-Profit Resource Center. The Employment Initiative Program helps individuals in low- and moderate-income communities secure employment by providing financial support to various organizations which assist such individuals with costs associated with finding work. The Non-Profit Resource Center assists small and moderate-size non-profit organizations with loan and grant applications, and provides training, consulting services, and informational seminars.

In addition to the CDG, certain business units also engage in ascertainment efforts. The CPBG (Commercial and Professional Banking Group) works with established small businesses with less than \$3 million in annual sales. Start-up businesses, women or minority-owned, and businesses in low- and moderate-income areas are usually referred to the CDG. The CPBG concentrates on bringing in new businesses through telemarketing efforts, and proactively calls on current branch customers in need of commercial credit. In 1996 the group conducted two major small business promotions in conjunction with the CDG and the branches.

Chase officers and employees serve on the boards and committees of many community organizations throughout the bank's delineation. Their board participation facilitates the exchange of information between Chase management and representatives of the community. Chase representatives are involved in large national and regional organizations as well as in smaller local organizations. They provide expertise and technical assistance to the organizations in addition to identifying community credit needs.

Nationally and in the overall tri-state area, economic and small business development are emphasized by the organizations with which employees are involved. However, in the New York City area, employees collectively sit on the boards of 54 organizations which focus primarily on affordable housing and supportive services. Four national and seven New York statewide organizations have Chase representatives working on their boards. Employees also sit on 14 boards in upstate New York, 24 boards in Connecticut and 19 boards in New Jersey.

While ascertainment efforts in New York, New Jersey and Connecticut are uniform and integrated into the CBG, in Puerto Rico and U.S. Virgin Islands, ascertainment is performed autonomously by local management. However, CDG management monitors CRA activities and is well informed of community credit needs throughout Chase's entire delineation.

### **The U.S. Virgin Islands**

Chase representatives meet periodically with various groups, including real estate developers, social service providers, government officials, and small business organizations in the Virgin Islands. Several programs were implemented as a direct result of communication with community leaders and groups. Based on meetings with the Virgin Islands Board of Realtors, Chase developed the "As Is" Mortgage Program to finance the acquisition and repair of homes damaged by Hurricane Marilyn. During 1996, this program

generated 96 loans totaling \$24 million. In addition, after Hurricane Marilyn, Chase contacted its business customers to determine what kind of assistance was needed. In response, Chase offered a three-month moratorium of principal payments and reduced interest rates to four percent for three months for all of the bank's small business borrowers on the Island of St. John.

### **Puerto Rico**

In Puerto Rico, Chase regularly performs effective ascertainment through ongoing contact with individuals and community groups. In 1996, Chase set ascertainment goals and made calls and held seminars throughout the year to meet these goals. In its outreach efforts, the bank emphasized ascertainment for the development of residential construction. In addition, in response to customer needs, Chase made special arrangements for the repayment of loans after Hurricane Hortense and created a special account to collect donations to aid hurricane victims.

### **Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.**

The board of directors and senior management are an integral part of Chase's CRA programs and activities. They exercise active policy oversight and perform regular self-assessments. CDG has primary responsibility for CRA compliance. CRA-related information is communicated to management as well as to different areas of the bank through various committees. In addition to the board of directors and its Public Policy and Trust Subcommittee, these committees include the CRA Policy Committee, CDG Management Committee, Board of Directors of CCDC (Chase Community Development Corporation, formerly Chemical Community Development, Inc.), Mortgage Performance Committee, and Fair Lending Policy Committee.

At Chase, communication about CRA activities and issues is ongoing and meaningful. The CDG functions as a separate business group within the bank, demonstrating the priority management places on community development issues. Furthermore, the executive vice president in charge of the CDG reports to the Vice Chairman of Tri-State Regional Banking; this creates an open line of communication to Chase's most senior management about CRA activities and issues.

The executive vice president in charge of the CDG makes CRA-related presentations to the board of directors and its subcommittee, the Public Policy and Trust Committee (PPTC). Examples of various CRA-related topics include Chase's community development commitment, the new CRA regulation, and HMDA results. Senior management has ongoing, close contact with the managing director of the CDG, who is also a member of the Chase Management Committee, thus creating open lines of communication.

The CRA Policy Committee assembles the most senior bank management to discuss CRA issues. The committee consists of the Vice Chairman of Tri-State Regional Banking, the Vice Chairman of Chase Consumer Credit, and six executive vice presidents representing Chase's major consumer and business-related departments. It meets as necessary, but members are regularly involved with CRA activities in their respective lines of business. The committee serves as a clearinghouse and proponent for new ideas and projects suggested by CDG staff or the CAB.

The CDG Management Committee consists of the executive vice president in charge of CDG and various department heads. The committee meets periodically to discuss community development and CRA issues and relays the information to Chase's Chairman of the Board. The members of this committee are responsible for

the day-to-day operations of the CDG. The Chairman is also regularly apprised of CRA issues in the course of business by the Vice Chairman of Tri-State Regional Banking and the head of the CDG.

CCDC (Chase Community Development Corporation), formerly Chemical Community Development, Inc., is a separate legal entity of the bank which finances small business and affordable housing development. CCDC is an entity in name only with its daily business functions incorporated into the CDG. CCDC's board is composed of nine senior bank officers and currently meets semiannually. At these meetings, senior management reviews lending performance in the Real Estate, Commercial, and Affordable Mortgage Units. Also, the CCDC board approves credit guidelines, proposed equity investments, and officer lending authority.

The Mortgage Performance Committee, chaired by the Vice Chairman of Chase Consumer Credit and the head of the CDG, meets bimonthly to review the bank's current mortgage lending performance in relation to annual low- and moderate-income borrower goals. The committee discusses mortgage lending in relation to the overall market and new local and national initiatives. These meetings focus primarily on maintaining performance in relation to the annual goals.

CDG management monitors fair lending at Chase and keeps well informed of significant fair lending issues and developments. The head of the Consumer Compliance Unit reports to the head of CDG for fair lending purposes. Also, a committee consisting of the managers of the CDG, Consumer Compliance, CRA Compliance, and Corporate Fair Lending attend regular presentations about ongoing consumer lending activities.

**Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.**

Chase has implemented sound marketing strategies and advertising programs that inform all segments of the institution's local community of the bank's financial products and services, including those that have been developed to address identified community credit needs. Chase's 1996 marketing objectives and strategies focused on effectively positioning the bank with its customers following the 1996 merger of Chemical Bank and The Chase Manhattan Bank, N.A.. A common theme of all of the bank's advertising centers on Chase as a full service bank. Chase's 1996 marketing goals included the need to: (1) promote the new Chase brand as a full service bank; (2) leverage the old Chemical brand image as a grass roots bank; (3) communicate that the new Chase continues to care about its communities; (4) reach diverse, ethnic and woman's markets and (5) effectively market Chase's deposit and credit products throughout its target markets, including Connecticut, a new market for the merged bank.

Chase employs a variety of advertising tools to market its consumer and business credit products. Chase employs television, print and radio and the Internet to advertise its deposit services and credit products. In addition, bank representatives actively participate in home buying and small business seminars and offer extensive educational resources for small businesses, minority- and women-owned businesses, and not-for-profit organizations. Such activities assist the first time borrower with applying for a mortgage or a small business loan.

Chase's marketing efforts are decentralized across its business lines. The CDG (Community Development Group) and the CPBG (Commercial and Professional Banking Group) each conduct their own marketing efforts for their various business and consumer credit products. Within the bank, these and other groups crossleverage their marketing efforts through the use of a Communications Committee. This committee is made up of marketing representatives from numerous groups of the bank including: CDG, CPBG, Branch



Banking, Deposit and Investment, HIP (Home Improvement Products) Marketing, and Corporate Communications. The committee facilitates the coordination of joint marketing efforts for the bank's products and services.

The CBPG has an emerging markets team, which targets marketing efforts to Korean, Chinese, African/Caribbean, Hispanic and East Indian businesses, as well as to businesses owned by women. The group has an in-depth understanding of the cultures of the target markets, and includes members who speak the foreign language of the business owner and are familiar with the marketplace.

### **Print, Television, and Radio**

Chase's 1996 product/service advertisements promoted the following products: residential mortgage loans, small business credit, home equity credit, home improvement programs, remote banking services, and customized bank statements. Media campaigns for these products utilized various media forms simultaneously.

Chase employed primarily print and television media to promote its deposit and credit products and services. The bank advertised in both statewide and regional publications which reached its entire delineated community effectively, including low- and moderate-income areas. Statewide publications included *The New York Times*, *Daily News*, and *Newsday*. Regional publications included the *Newark Star Ledger*, *Bergen Record*, *Connecticut Post*, *Hartford Inquirer*, *Fairfield County Business Journal*, *New Haven Inquirer*, *Syracuse Herald*, *Binghamton Press*, *Passaic Herald News*, and *Morristown Daily*. Magazine advertising appeared in *Crain's N.Y. Business*, *Crain's Small Business*, *New York Magazine*, and *The New York Times Magazine*.

Chase utilized several advertising agencies to accomplish its marketing goals, including minority-owned advertising firms, to focus on the Hispanic, Caribbean, African-American and Asian-American markets and on women. Chase also advertised its small business and affordable mortgage products in ethnic publications such as the *Amsterdam News*, *El Especial*, *Minority Business News USA*, *NY Beacon*, *New York Carib News*, *Minority Times*, *India Abroad*, *India Tribune*, *World Journal*, *Sing Tao*, *Korean News*, and *Korean Central Daily*. The CPBG also conducts bilingual telemarketing for Chase business credit products.

Print media also included advertisements on outdoor phone kiosks, buses, bus shelters, and commuter railways. In addition, Chase conducted direct mail campaigns for current customers. Furthermore, local branches received contemporaneous training, brochures, and wall advertisements in coordination with current direct mail and print media campaigns for the bank's product offerings.

Chase ran television advertisements on major stations including ABC, CBS, Fox, NBC and major cable stations including CNN, the Discovery Channel, USA, the Family Channel, and Lifetime. Ethnic television advertising included advertisements on Univision and Telemundo.

In addition, Chase utilized radio advertising as part of its media campaigns. Chase played radio advertisements on numerous radio stations, including WPLJ, WQCD, WINS, WBLS, WKTU, 1480 AM, WABC AM, and the Chinese Radio Network.

## **Other Media**

Chase markets certain products on the Internet through the bank's home page. Chase's home page advertises various products including the following: residential mortgages loans, home equity loans, personal loans, credit cards, overdraft protection, mobile finance, recreational vehicle/boat loans, manufactured housing loans, loan refinancing programs, and middle market lending products. In addition, Chase's home page offers potential home equity applicants a no-obligation quick-quote request for a loan rate, with the options of receiving the quote by e-mail, phone, fax, or mail. The home page details extensively the Chase Business Resource Center's resources. The home page also allows users to contact Chase by e-mail. Internet response to CPBG products and the Business Resource Center has been limited, but Chase takes into account what it considers to be the Internet's marketing potential. In the latter part of 1997 Chase will roll out a CDG home page advertising CDG products.

In early 1997, Chase offered a free CD ROM through its 1996 Annual Report. This CD ROM provided a multimedia overview of Chase's major activities, including community development activities in housing and small business.

CPBG sales teams also proactively market their products directly to prospective customers at the customer's place of business. CPBG helps the branches coordinate local sales events and offers "off the shelf" sales programs. These programs focus on local business customers' needs, including credit, access to services, deposit services, insurance and investment. While not designed to promote any specific Chase product, these campaigns focus on inducing potential customers to visit a branch and discuss Chase's array of products. These programs use local media advertising, direct mail, branch signs, brochures, and seminars to achieve an individual branch's marketing objectives.

## **Seminars & Educational Resources**

Chase participated in numerous seminars throughout the year to promote its small business loans and home purchase mortgage products. These seminars provide important technical assistance and information to both business credit and residential mortgage applicants unfamiliar with the credit process. CPBG participated in seminars sponsored by numerous groups, including the New York State Banking Department, the Westchester Association For Women Businesses, the Long Island Center for Family Owned Businesses, and the New York/New Jersey Minority Purchasing Council.

In 1996, Chase participated in or sponsored 124 home buying seminars in New York, 19 home- buying seminars in New Jersey, and 26 home-buying seminars in Connecticut. Information provided to potential applicants included advantages and disadvantages to home ownership, a mortgage affordability estimate, mortgage preapproval, contract terms, a lender's application requirements, and Chase mortgage product information. Chase did not conduct or participate in home-buying seminars in upstate New York in 1996. During the first quarter of 1997, however, Chase sponsored or participated in home-buying seminars or workshops in Rochester and Buffalo. At these events, Chase representatives worked in partnership with local realtors and nonprofit community organizations. Chase-sponsored home-buying workshops in Rochester were conducted at select branches in low- and moderate-income areas. In Syracuse, Chase participated in two luncheon outreach events for local community groups.

In the U.S. Virgin Islands during 1996, Chase conducted home-buying seminars at its branches in St. Thomas and St. Croix. In addition, Chase sponsored a one-day workshop for the tenants of Castle Burke Trailer Park, in June 1996, and participated in three first-time home-buyer seminars held by the Virgin Island Housing

Finance Authority and Rural Development.

Chase's Business Resource Center ("BRC"), a group under CPBG, provides free expert advice to both Chase and non-Chase customers who are current or would-be small business owners. This advice includes assistance in: analyzing potential business problems, identifying appropriate solutions, producing a business plan, setting business objectives, and applying for credit. The BRC offers a library stocked with current business publications and free literature on a wide range of small business topics such as marketing, financing, cost management, cash flow, business insurance, and a guide for success for women entrepreneurs. The BRC also makes the Internet available as a research tool for its clients. There is a BRC at 1411 Broadway at 39 Street, New York, N.Y. and at 4 Chase Metrotech Center, Brooklyn N.Y. Most BRC clients are referrals from branches. CDG, and the middle market and private banking groups also make client referrals. The BRC focuses on women- and minority-owned businesses, new enterprises, firsttime borrowers and businesses in low- and moderate-income areas, and on helping such businesses access both traditional and nontraditional lending products. A majority of the BRC clients are women/minority-owned business enterprises and small businesses located in low- and moderate-income areas. Clients are primarily start up businesses or companies in existence for less than three years.

The BRC also underwrites real estate loans and business-start up loans, primarily through the SBA. The BRC attempts to underwrite loans to small, fairly new businesses. The businesses must:

- be able to provide a strong guarantee;
- have a good relationship with a Chase branch;
- need a small business loan for \$100 thousand - \$150 thousand.

If the BRC cannot underwrite a small business loan application, the BRC will refer the applicant to the Commercial Lending Unit of the CDG (Community Development Group) or to an outside small business loan fund. Such outside loan funds include those provided by the New York Community Investment Company and the Regional Economic Development Assistance Corporation. BRC small business loan referrals to the Commercial Lending Unit of the CDG include women/minority owned businesses and small businesses in low- and moderate-income areas. The BRC refers more established businesses to other groups within the CPBG.

The Commercial Lending Unit of the CDG offers other flexible small business loan programs not offered by the BRC, such as the New York City Small Business Reserve Fund and the SBA Leduc Program.

### **Chase Manhattan Mortgage Corporation ("CMMC")**

CMMC sells mortgages nationwide, but does not regularly advertise its mortgage products within the tri-state area or upstate New York. CMMC does, however, advertise at its discretion in local publications in conjunction with local housing fairs and other community events. CMMC has published advertisements in the *Pennysaver* (Bronx, N.Y.), *Queens Courier* (Bayside, N.Y.), *Buffalo News*, *Jamestown Post*, *Binghamton Press*, *George Street Playhouse* (New Brunswick, N.J.), *Commercial Record* (South Windsor, CT), and *Hallmark Homes Magazine* (Norwich, CT). The larger part of CMMC's mortgage business results from third-party referral sources, such as local realtors, attorneys and accountants and past and current customers. Accordingly, CMMC also advertises in industry publications such as *Mortgage Banking*, *Mortgage Originator*, *National Mortgage News*, and *Real Estate Finance*.

### **U.S. Virgin Islands**

Chase advertised deposit and credit products and remote banking services on television and through major news publications such as the *Daily News*, *Tradewinds*, *Weekly Journal*, and *Island Sun Tortola*. Chase also advertised affordable mortgage products specifically. There was some limited use of radio advertising for Chase's ATM product. Chase conducted direct mail solicitations for business and consumer credit cards and unsecured homeowner loans.

## **Puerto Rico**

Chase does not actively market its products in Puerto Rico. Applicants may apply for credit cards, offered by a Chase affiliate, through Chase's 1-800-CHASE24 number. Chase educational loans are offered through local college financial aide offices.

The bank, which has one full service branch in Puerto Rico, focuses on the middle market and the "936" tax-qualified market. As an eligible depository institution under Section 936 of the Internal Revenue Code, Chase uses the deposits of certain qualified U.S. corporations to fund loans which finance various business, residential, and educational projects in Puerto Rico. As of the end of 1996, Chase originated \$768 million in eligible 936 loans. The branch also services a retail customer base that existed prior to the merger, but does not actively pursue new retail business.

**Assessment Factor L:** - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

**Chase On-Line Banking:** On-line banking is now provided free of charge to all Chase customers and provides remote access delivery of banking products and services via the Internet. The services provided include international and transactional banking, and services related to information, investments, and insurance.

**Chase Call Center:** A 24-hour toll-free telephone banking service is available to bank and non-bank customers through on-line Service representatives and an automated voice response unit. These telephone services are available in English, Spanish, Chinese, and Korean. The call center provides the ability to receive account balance information, verify funds availability, report lost or stolen cards and speak with information specialist bankers for additional customer service.

**Chase Lifeline Banking:** Lifeline Banking is targeted at lower income and entry-level customers of Chase. Checking account features include no minimum balance requirement, a low monthly maintenance fee of \$4 in New York (\$3 in New Jersey and Connecticut), and a limited number of transactions per month. Savings accounts require a balance in excess of \$250 to avoid a monthly maintenance fee.

**Special Government Payment Services:** Special government payment services are offered to customers and noncustomers of Chase which provide electronic benefits payments through an arrangement with the New York City Human Resource Administration. This service disburses public assistance benefits and food stamps to eligible recipients through 20 branches and over 240 check cashers.

**United States Virgin Island Free Government Check Cashing:** Chase provides free services for the

enactment of Virgin Island government checks.

### **Chase Not-For-Profit Resource Center**

The Chase Not-For-Profit Resource Center, a part of the CDG, helps not-for-profit organizations to improve their management effectiveness and efficiency. The Center provides or facilitates consulting services, in-kind contributions, speakers' bureau and seminars, not-for-profit and real estate lending, a volunteer center, and grants. Consulting services include business analysis, cash management, investment/retirement planning, and human resources management. The speakers' bureau and seminar offers Chase employees the opportunity to speak on numerous topics including community development, business loans, basic banking, and cash management. The Center provides access to a variety of financing for not-for-profit organizations and affordable housing and economic development projects. The volunteer center matches Chase employees and retirees with not-for-profit organizations to facilitate various volunteer programs. Grant programs include the Housing Opportunities Program, Competitive Grants, and Streetbanker Grants.

### **Credit Institute for Economic Development**

Chase sponsored the development of a unique basic credit training program designed to meet the needs of community economic development professionals. Developed by a minority-owned training firm, the course is a five day program funded primarily from scholarship funding and other sponsorship from Chase. The target audience of this program includes managers of locally-based microloan funds, technical assistance providers working with small businesses, and public sector economic development staff. The program combines lecture, case study, classroom discussion, and role play to provide participants with a comprehensive understanding of basic credit analysis. Since late 1994, program has been held on five occasions at various locations including New York City, Buffalo, and Rochester.

### **Checks-To-Cash Club**

Chase operates 16 check cashing facilities within its assessment area, seven of which are situated in LMI areas. Several of these facilities leverage space with existing branches. These facilities, originally opened in 1994, provide check cashing and related ancillary services to nondeposit customers. Chase views these facilities as a solution to retaining many of their nondeposit customers who otherwise may have been adversely affected by the closing of Chase branches in their area. For an annual membership fee of \$15 and a per-check cashing fee of 1 percent, Chase offers its nondeposit customers check cashing services, no charge for utility bill payments, and other ancillary services such as money orders and money transfers for a small fee. These facilities provide customers several conveniences including efficient transaction processing through the use of photo and signature imaging, extended hours of operation, convenient locations close to customers' work sites, one stop shopping for ancillary services, and immediate access to funds. The leveraging of space with existing branches has resulted in shorter wait times for nondeposit customers who now have dedicated teller windows. These facilities also provide their customers on-site information on applying for different Chase credit products. There are currently over 50 thousand people who are Checks-To-Cash Club members.

APPENDIX A

SCOPE OF EXAMINATION

SCOPE OF EXAMINATION : FULL SCOPE EXAMINATION.			
TIME PERIOD REVIEWED	Chemical Bank 1/1/95 TO 12/31/95 The Chase Manhattan Bank 1/1/96 TO 3/10/97		
<u>FINANCIAL INSTITUTION</u>			<u>PRODUCTS REVIEWED</u>
<u>The Chase Manhattan Bank</u> <u>New York, NY</u>			! <u>Mortgage Loans</u> ! <u>Small Business Loans</u> ! <u>Community Develop- ment Activities</u>
<u>AFFILIATE(S)</u>	<u>AFFILIATE RELATIONSHIP</u>		<u>PRODUCTS REVIEWED</u>
<i>Chase Manhattan Mortgage Corporation</i> <i>Edison, N.J.</i>	<i>Non-bank subsidiary</i>		! <i>Mortgage Loans</i>
<i>Chase Manhattan Servicing</i> <i>Tampa, Florida</i>	<i>Non-bank subsidiary</i>		! <i>Mortgage Loans</i>
<i>Chase Manhattan Automotive Finance</i> <i>Garden City, N.Y.</i>	<i>Non-Bank subsidiary</i>		! <i>Car Loans &amp; Leases</i>

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
<p><b>NEW YORK</b></p> <p><i>MSA 5600 (New York, NY)</i></p>	<p><i>On-site</i></p>	<p><i>19</i></p>	<p><i>Loan products are offered in all areas except the following programs which are offered in specific states or MSAs:</i></p> <p><i>SONYMA (statewide)</i></p> <p><i>Products specifically for NYC:</i></p> <ul style="list-style-type: none"> <li><i>-Neighbor to Neighbor NY Mortgage Coalition Agency</i></li> <li><i>-NYC Co-op Program</i></li> <li><i>-Chase Home Improvement Program</i></li> <li><i>-NHS CASH Loan Program</i></li> <li><i>-Small Business Loan Consortia-Rockland &amp; Westchester Counties</i></li> <li><i>-NYC Housing Partnership</i></li> <li><i>-TAIL</i></li> <li><i>-NYC Small Business Capital Access Program</i></li> <li><i>-Empire State Development Corp.</i></li> </ul>
<p><i>MSA 5380 (Nassau-Suffolk, NY)</i></p>	<p><i>On -site</i></p>	<p><i>6</i></p>	<ul style="list-style-type: none"> <li><i>-Small Business Loan Consortia-Nassau &amp; Suffolk Counties-involving LILCO</i></li> </ul>

<i>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</i>			
<i>ASSESSMENT AREA</i>	<i>TYPE OF EXAMINATION</i>	<i>BRANCHES VISITED</i>	<i>OTHER INFORMATION</i>
<i>MSA 5660 (Newburgh, NY-PA)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 1280 (Buffalo-Niagara Falls, NY)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 6840 (Rochester, NY)</i>	<i>On-site</i>	<i>10</i>	
<i>MSA 8160 (Syracuse, NY)</i>	<i>Off-site</i>	<i>0</i>	<i>Small Business Loan Consortia-Syracuse, N.Y. -Syracuse Housing Partnership Grant Program -Time of Jubilee Grant Program</i>
<i>MSA 0960 (Binghamton, NY)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 3610 (Jamestown, NY)</i>	<i>Off-site</i>	<i>0</i>	
<i>Non-MSA-Steuben County</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 0160 (Albany-Schenectady-Troy, NY)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 8680 (Utica-Rome, NY)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 2335 (Elmira, NY)</i>	<i>Off-site</i>	<i>0</i>	
	<i>Off-site</i>	<i>0</i>	



<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
<b>NEW JERSEY</b>			-New Jersey Affordable Mortgage Product-offered throughout N.J. -New Jersey Economic Development Authority -NJ Housing & Mortgage Finance Agency First Time HomeBuyers Mortgage
<i>MSA 5640 (Newark, N.J.)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 0875 (Bergen-Passaic, N.J.)</i>	<i>Off-site</i>		-Small Business Loan Consortia-Bergen County
<i>MSA 3640 (Jersey City, N.J.)</i>	<i>Off-site</i>	<i>0</i>	-Small Business Loan Consortia-Paterson, N.J.
			-Small Business Loan Consortia-Hudson County
<b>CONNECTICUT</b>			-Connecticut Development Authority's Urban Lending Program -CHFA Bond Program -CHFA Homeownership Program -CHFA Down Payment Assistance Payment Program
<i>MSA 5480 (New Haven-Meridan, CT)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 3280 (Hartford, CT)</i>	<i>Off-site</i>	<i>0</i>	-House Hartford (part of Dreamaker Program)
<i>MSA 8040 (Stamford-Norwalk, CT)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 1160 (Bridgeport, CT)</i>	<i>Off-site</i>	<i>0</i>	-Acorn Condo/Co-op Program
<i>MSA 8880 (Waterbury, CT)</i>	<i>Off-site</i>	<i>0</i>	
<i>MSA 1930 (Danbury, CT)</i>	<i>Off-site</i>	<i>0</i>	

<i>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</i>			
<i>ASSESSMENT AREA</i>	<i>TYPE OF EXAMINATION</i>	<i>BRANCHES VISITED</i>	<i>OTHER INFORMATION</i>
<i>COMMONWEALTH OF PUERTO RICO</i>			
<i>MSA 7440 (San Juan-Bayamon, PR)</i>	<i>Off-site</i>	<i>0</i>	
<i>UNITED STATES VIRGIN ISLANDS</i>	<i>Onsite</i>	<i>3</i>	<ul style="list-style-type: none"> <li><i>-“AS IS” Mortgage</i></li> <li><i>-95% LTV Mortgage</i></li> <li><i>-Taxi Medallion Loan</i></li> <li><i>-Small Business Home Equity Line of Credit</i></li> <li><i>-VIHFA Mortgage Bond Program</i></li> <li><i>-Rural Development Services Loan Pogram</i></li> </ul>