# SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

# PUBLIC DISCLOSURE

**April 22, 2008**

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

National Bank of New York City
Charter Number 15070

136-29 38th Avenue
Flushing, NY 11354-4112

Office of the Comptroller of the Currency

NEW YORK METRO-EAST
343 Thornall Street Suite 610
Edison, NJ 08837

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## INSTITUTION'S CRA RATING: **This institution is rated "<u>Satisfactory</u>"**

- The loan to deposit ratio is more than reasonable;
- A majority of loans were made in the assessment area (AA);
- The borrower distribution reflects excellent penetration and is the result of the bank's practice of focusing on loans to small businesses;
- The geographic distribution of loans reflects reasonable dispersion throughout census tracts of different income levels in the AA; and
- There have been no complaints related to CRA compliance.

## SCOPE OF EXAMINATION

As part of this small bank Community Reinvestment Act (CRA) examination, National Bank of New York City (NBNYC) was assessed under the Lending Test for the period of January 1, 2005 to December 31, 2007. Commercial real estate and commercial and industrial loans represent the bank's primary loan types, accounting for 94% of all loans originated during the evaluation period. Our sample included 73% of the commercial real estate and commercial and industrial loans originated. Conclusions were derived from data obtained from internal bank loan origination reports. A data integrity review of CRA information systems was conducted in January 2008. Data was found to be accurate and reliable for use in this examination.

## DESCRIPTION OF INSTITUTION

NBNYC is an independent national bank that does not have any subsidiaries or affiliates. NBNYC only has one branch that is located at 136-29 38th Avenue, Flushing, NY 11354-4112. As of December 31, 2007, NBNYC had $212 million in assets, $171 million in loans, and $184 million in deposits. NBNYC's deposit base represents 0.04% market share of the AA. The loan portfolio is composed of 78% commercial real estate, 13% multifamily, 6% construction, and 3% commercial and industrial loans. NBNYC is a commercial bank that caters to small businesses and primarily originates commercial real estate and other business loans. NBNYC does not originate any retail consumer loans. A referral process is in place for directing customers to local financial institutions that offer those products.

According to management of NBNYC, the AA is very over-banked. The area is dominated by large national banks, such as JP Morgan Chase, Citibank, HSBC, and Bank of America. Only 10 banks hold almost 80% of the deposits in the AA, and they have been aggressively expanding their footprint by opening new branches. As a result of the competition within the AA, NBNYC does not compete with larger banks over loans to larger businesses, and focuses more on smaller loans to small businesses. Since the bank only has one branch, they also use brokers extensively to originate loans. Management estimates that 98% of loans are originated through brokers.

NBNYC is not subject to any financial, legal, or regulatory restrictions that could impede its ability to help meet the credit needs of its assessment area. The Office of the Comptroller of the Currency performed the prior CRA examination in January 2003. At that evaluation, NBNYC received a rating of **"Satisfactory."**

## DESCRIPTION OF ASSESSMENT AREA(S)

The assessment area (AA) includes all of King's (Brooklyn), Queens, and New York (Manhattan) counties (Federal Housing Administration County numbers 047, 081, 061). These counties are part of the larger New York-White Plains-Wayne-NY, NJ metropolitan statistical area (MSA #35644). This MSA includes the five New York City boroughs, parts of northern New Jersey, and the lower Hudson Valley. While the assessment area does not include the entire MSA, it does correspond to county level delineations and does not arbitrarily exclude low- or moderate-income census tracts. The population of the three counties in the AA (6.2 million people) approximates to about one-third of the population of the entire MSA ($18.8 million people).

The economic condition of the MSA has experienced steady improvement in recent years, though economic growth peaked and unemployment bottomed in the second-half of 2007. Unemployment rates from the Bureau of Labor Statistics steadily decreased from 4.9% at year-end 2005, to 4.4% at year-end 2007. Economic growth data from Moody's economy.com showed increasing growth rates from 2003 to a peak of 4.6% in 2006, but a decline to 3.5% in 2007.

Information from Moody's Commercial Properties Price Index indicates, since 2003, all commercial property types (offices, apartments, retail, and industrial) experienced between 25% and 50% price appreciation nationwide. For the New York area, other key indicators steadily improved as well. Vacancy rates declined and rental rates increased. Construction rates have been robust, and even in light of widespread construction, net absorption rates were positive and increasing for the evaluation period.

The leading employers in the area are government, financial and professional services, and healthcare. All experienced positive employment growth. Some industries, such as financial and professional services, were negatively impacted by financial market turmoil in the second-half of 2007 and began to lay-off employees. However, the effects of these changes were not evident during the evaluation period.

We held a discussion with a community development organization located in northern Manhattan to assess the borrowing needs of small businesses. Small business loans are a primary need of the community and there are many opportunities for banks to lend to small businesses and participate in small business development. In general, our contact did not believe that banks were meeting these credit needs, even considering rapid branch growth into the area the organization serves.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

***NBNYC's quarterly average loan-to-deposit (LTD) ratio of 95.2% is more than reasonable and reflects outstanding performance.*** This figure was derived by taking the average of quarterly loan-to-deposit ratios from financial reports filed with the regulatory agencies since the previous CRA examination. A peer group of 15 federally- and state-chartered banks that are headquartered in the AA were selected as a basis for comparison. These consisted of banks with a similar deposit size, branch structure, and lending strategy. The quarterly average LTD ratio for this peer group for the same time frame was 71.5%, which is considerably lower than NBNYC's performance.

NBNYC's current LTD is a large increase from the 77.9% it had at the previous CRA evaluation in 2003. This rise is due to management's overall decision to lend more. In addition, the commercial real estate market in the AA experienced a boom during the evaluation period. NBNYC benefited greatly from this boom since it resulted in increased demand for their primary loan product, commercial real estate loans.

### Lending in Assessment Area

***Lending in the AA is satisfactory.*** A majority of the loans sampled were originated within the AA. The number and dollar amount of loans originated was 63% and 65%, respectively, and meets the standards for satisfactory performance.

| Lending in the Assessment Area | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number of Loans | | | | | Dollars of Loans | | | | |
| Loan Type | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | $ | % | $ | % | |
| Loans to Businesses | 42 | 63% | 25 | 37% | 67 | 57,310,968 | 65% | 30,604,250 | 35% | 87,915,218 |

*Source: Loan sample with information from bank provided MIS*

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

***The borrower distribution of loans to businesses is outstanding.*** Performance reflects excellent penetration among small businesses in the AA. When considering both the number of loans and the dollar volume of loans originated, NBNYC makes proportionately more loans to small businesses, especially businesses with revenues less than $500,000.

| Borrower Distribution of Loans to Businesses in Kings, Queens, and New York Counties | | | | |
|---|---|---|---|---|
| Business Revenues | <$500,000 | >$500,000 and <$1,000,000 | >$1,000,000 | Total |
| % of AA Businesses | 82.18% | 7.23% | 10.59% | 100% |
| % of Bank Loans in AA by # | 91.04% | 8.96% | 0.00% | 100% |
| % of Bank Loans in AA by $ | 87.24% | 12.76% | 0.00% | 100% |

*Source: Loan sample with information from bank provided data; U.S. Census Data*

**Geographic Distribution of Loans**

***The geographic distribution of loans to businesses is satisfactory.*** The dispersion of loans throughout census tracts of different income levels in the AA is reasonable, though the bank a lower proportion of loans made to businesses in low-income census tracts and a higher proportion of loans made to businesses in moderate-income census tracts. However, their branching structure does not present them with as many opportunities to lend to these businesses. NBNYC has one branch located in Queens County, which has only 6% of the low income census tracts of the three counties in the AA.

| **Geographic Distribution of Loans to Businesses in Kings, Queens, and New York Counties** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Low | | Moderate | | Middle | | Upper | |
| % of AA Businesses | % of # of Loans | % of AA Businesses | % of # of Loans | % of AA Businesses | % of # of Loans | % of AA Businesses | % of # of Loans |
| 6.85% | 1.49% | 21.80% | 22.39% | 22.43% | 40.30% | 48.92% | 35.82% |

*Source: Loan sample with information from bank provided data; U.S. Census Data*

**Responses to Complaints**

NBNYC did not receive any complaints regarding the institution's CRA performance during the evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.