



**NEW YORK STATE BANKING DEPARTMENT
CONSUMER SERVICES DIVISION**

2 Rector Street
New York, NY 10006

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: September 30, 2001

Institution: Alpine Capital Bank
680 Fifth Avenue 15th Floor
New York, NY 10019

Note: This evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Banking Department concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Alpine Capital Bank (“ACB” or “Alpine”) prepared by the New York State Banking Department. The evaluation represents the Banking Department’s current assessment and rating of the institution’s CRA performance based on an evaluation conducted as of September 30, 2001.

Section 28-b of the New York State Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Banks shall assess a banking institution’s record of helping to meet the credit needs of its entire community, including low and moderate income areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Banking Board implements Section 28-b and further requires that the Banking Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate the performance. Section 76.5 further provides that the Banking Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

- (1) outstanding record of meeting community credit needs;
- (2) satisfactory record of meeting community credit needs;
- (3) needs to improve record of meeting community credit needs; and
- (4) substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the written summary be made available to the public (“Evaluation”). Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 – 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York State Banking Law.

For explanation of technical terms used in this report, please consult the **GLOSSARY** at the back of this document.

OVERVIEW OF INSTITUTION'S PERFORMANCE

Alpine Capital Bank (ACB) is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based primarily on the following:

- *Loan-to-Deposit Ratio and other Lending-Related Activities:* ACB's loan-to-deposit ratio and other lending-related activities are adequate:
 - The bank's loan-to-deposit ratio of 12.0%, while well below that of its national peer group, is reasonable for a new bank that commenced operations in March 2000.
 - The bank supplemented its retail lending products with community development loans totaling \$396.7 thousand.
 - Alpine had qualified investments totaling \$95.0 thousand.
- *Assessment Area Lending:* ACB's assessment area lending is satisfactory. In 2000, 75% of the bank's business loans were originated within its assessment area. In 2001, the percentage declined to 67%.
- *Geographic Distribution:* ACB's geographic distribution of lending needs to improve. The bank did not originate any business loans in the LMI areas of its assessment area during the evaluation period. ACB originated one home mortgage loan in each of the years 2000 and 2001, in LMI census tracts.
- *Borrower Characteristics:* ACB's distribution of lending based on borrower income is adequate. In 2000, three (75%) of ACB's small business loans were made to small businesses. While the number of loans to small businesses increased to four in 2001, the penetration ratio decreased, to 67%. The bank made no home mortgages loan to LMI individuals during the evaluation period.
- *Complaints:* Neither the bank nor the Banking Department has received written complaints with respect to CRA.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York State Banking Law and Part 76 of the General Regulations of the Banking Board.

PERFORMANCE CONTEXT

Institution's Profile:

Chartered on March 1, 2000, Alpine Capital Bank ("ACB" or "Alpine") is a privately held commercial bank located in New York City, with 95% of its common stock controlled by the Aboodi family. ACB operates one full-service banking office in New York County, located at 680 Fifth Avenue.

ACB specializes in providing personalized service to attract professionals, particularly individuals who have high net worth and/or income but are subject to time constraints. This includes professional enterprises such as legal, accounting and financial management firms and their clients. The bank also offers loans, inventory and receivables financing for small businesses as well as other secured extensions of credit.

The bank's lending activity is concentrated in commercial and industrial loans and loans secured by condominium and cooperative real estate. ACB reported 41.9% of its loan portfolio in commercial loans, 37.6% in real estate loans, and 20.5% in consumer loans.

On September 30, 2001, the bank reported total assets of \$132.5 million. ACB reported total loans of \$13.7 million and total deposits of \$111.5 million, resulting in a loan-to-deposit (LTD) ratio of 12.3%. Core deposits totaled \$57.2 million, or 51.4% of total deposits.

There are no financial or legal impediments that adversely impact the bank's ability to help meet the credit needs of its community.

Assessment Area:

ACB's assessment area is comprised of New York County, in its entirety, where the bank has its only office.

New York County (Manhattan) – New York County has 298 census tracts, including 63 (21.1%) low-income tracts, 65 (21.8%) moderate, 33 (11.1%) middle and 126 (42.3%) upper-income tracts. There are also 11 (3.7%) no-income tracts. New York County is part of MSA 5600 (New York).

According to the 1990 U.S. Census data, New York County had a population of 1.49 million, which increased by about 50 thousand (3.3%), to 1.54 million in 2000. In 1990, 18.0% (267.9 thousand) of the population was under the age of 16 years and 13.3% (198.2 thousand) were over 65.

In 1990, there were 305.4 thousand families in the county of which 42.6% (130.2 thousand) were LMI families, including 17.4% (53.1 thousand) whose income was below the poverty level. Fourteen point four percent (43.8 thousand) were middle and 43.0% (131.3 thousand) were upper income families. There were 716.8 thousand households in the county of which

16.8% (120.1 thousand) had income below the poverty level.

Seventy-six point five percent (99.6 thousand) of the LMI families lived in LMI census tracts and these families accounted for 68.3% of all the families (145.8 thousand) that lived in LMI census tracts.

There were 785.1 thousand housing units in New York County of which 33.7% (264.9 thousand) were located in LMI census tracts. Of the total housing units, 2.9% (22.6 thousand) were 1 to 4 family units and 95.7% (751.4 thousand) were multi-family units. In 1990, the median housing value was \$212.4 thousand and the median age of the housing was 41 years.

Sixteen point three percent (128.0 thousand) of all housing units were owner occupied of which 9.7% (12.4 thousand) were located in LMI areas. Seventy five percent (588.4 thousand) were rental occupied of which 39.7% (233.6 thousand) were located in LMI areas. Nine point one percent (71.2 thousand) of all the units were vacant or boarded up.

The 1990 median family income for the county was \$36.8 thousand and the median family income for the MSA was \$37.5 thousand. HUD's estimated median family income for the MSA was \$56.2 thousand in 2000 and \$59.1 thousand in 2001.

According to the New York State Department of Labor, the county's average unemployment rates were 5.0% in 2000 and 6.0% in 2001. The county's average unemployment rates were above the state's average rates of 4.6% in 2000 and 4.9% in 2001 but was slightly below the MSA's average rate of 5.3% in 2000 and slightly above the MSA's rate of 5.6% in 2001.

According to the New York State Department of Labor, the county's average unemployment rate was 4.6% in 2000. The county's average unemployment rate was in line with the state's average rate of 4.6% in 2000. The county's rate was below the MSA's average rate of 5.3% in 2000.

A portion of New York County has been designated an Empire Zone (EZ) (formerly Economic Development Zone), based on community economic distress. East Harlem has been designated an EZ. Firms located in this area may be eligible for assistance including various tax credits, such as wage tax credits, investment tax credits, zone capital credits, sales tax refunds, real property tax abatements, technical assistance and utility rate savings.

A portion of New York County (Harlem) shares a designated Federal Empowerment Zone (FEZ) with the South Bronx. This area receives financial and technical support from a multiple of federal agencies, including HUD, USDA, HHS, Treasury, Labor and Justice as well as from state and local governments.

The FEZ program's purposes is to increase the employment opportunities of the residents through job training and economic development, to create new jobs and retain current jobs as

well as programs for affordable housing, education and childcare. Various federal tax benefits and other assistance are available to businesses that open or employ residents in a FEZ.

The assessment area appears reasonable based upon the location of its only office, and lending patterns. There is no evidence that LMI areas are arbitrarily excluded.

PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

Alpine's performance for the period March 1, 2000 – September 30, 2001 was evaluated under the small bank performance criteria, which include the following: (1) Loan-to-Deposit Ratio and Other Lending-Related Activities; (2) Proportion of Lending in the Assessment Area; (3) Geographic Distribution of Lending; (4) Distribution of Lending by Borrower Characteristics; and (5) Action Taken in Response to Written Complaints Regarding CRA. Based on optional information provided by the bank, ACB's services were also considered.

ACB offers a variety of lending products including:

- 1-4 Family Mortgage Loan
- Home Equity Loan
- Commercial Loan
- Consumer Loan
- Commercial Mortgages
- Letters of Credit

The following table shows the bank's loan portfolio based on the Call Reports, as of September 30, 2001 and December 31, 2000.

TOTAL GROSS LOANS OUTSTANDING				
LOAN TYPE	9/30/01		12/31/00	
	\$000	%	\$000	%
Residential Mortgage Loans	5,209	37.6	2,141	25.0
Commercial and Industrial Loan	5,812	41.9	3,630	42.4
Multifamily Mortgages		0.0		0.0
Consumer Loans	2,850	20.5	2,800	32.7
Agricultural Loans		0.0		0.0
Other Loans	1	0.0		0.0
Total Gross Loans	13,872	100.0	8,571	100.0

As illustrated above, ACB's loan portfolio is concentrated primarily in commercial and industrial loans, residential mortgages and consumer loans. The portfolio grew by over 60% between year-end 2000 and September 30, 2001.

ACB did not participate in any governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms during the evaluation period.

- **Loan-to-Deposit Analysis and other Lending-Related Activities**

ACB's loan-to-deposit ratio (LTD) and other lending-related activities are reasonable for a new bank that commenced operations in March 2000.

LTD Analysis: The bank's LTD ratio as of September 30, 2001 was 12.3%, well below the national peer group's average ratio of 76.8%. The average loan-to-deposit ratio for the past four quarters ending September 30, 2001 was 12.0%, significantly below the national peer group's average ratio of 76.2%, for the same period.

Management attributes the low LTD ratio to the fact that ACB is a new bank that is just beginning to develop its loan portfolio in a market with intense competition dominated by numerous well known, large institutions. The relatively large deposit figure is due largely to the deposits of a small number of clients, including related companies.

Community Development Lending: Somewhat mitigating the low LTD ratio, the bank supplemented its retail lending activity with community development loans and commitments totaling \$396.7 thousand.

Alpine's community development lending, which supports economic development and affordable housing initiatives, includes the following:

Alpine approved and renewed a \$197.0 thousand line of credit to **New York Business Development Corporation**. Approximately \$19.4 thousand was outstanding on September 30, 2001. New York Business Development Corporation (NYBDC) is a privately-owned entity created by New York State statute and funded by commercial and savings banks under lines of credit that are utilized to provide a broad range of financing to small and mid-sized businesses in New York State.

ACB issued a commitment letter to **Community Preservation Corporation** to purchase a \$199.7 thousand loan secured by a multi-family property located in a low- income census tract in Manhattan. The closing on the purchase commitment was scheduled for some time after the evaluation date. Community Preservation Corporation (CPC) is a lending consortium that makes construction and permanent loans for the creation, rehabilitation and preservation of affordable housing throughout the State of New York. CPC's bank sponsors provide secured financing, under revolving bank lines of credit, for housing construction and rehabilitation, as well as permanent financing through purchases of collateral trust notes backed by CPC mortgages. CPC has been certified by the U.S. Department of the Treasury as a Community Development Financial Institution.

Qualified Investments: ACB invested \$95 thousand in a certificate of deposit issued by **Community Capital Bank (CCB)**. CCB is New York's first community development bank and a Treasury-designated Community Development Financial Institution. The bank primarily supports affordable housing and economic development initiatives in low- and moderate-income neighborhoods throughout New York City.

- **Proportion of Lending Within Assessment Area**

ACB's performance under this factor is satisfactory, reflecting a satisfactory proportion of commercial loans and an adequate proportion of home mortgage loans extended in the assessment area.

In the year 2000, ACB generated eight commercial loans, of which six (75.0%) were made within the assessment area. During the first three-quarters of 2001, the bank generated nine commercial loans, of which six (67.0%) were originated within its assessment area.

In addition, in the year 2000, the bank originated seven 1-4 family residential mortgage loans, of which three (43.0%) were extended within the assessment area. In the first three-quarters of 2001, the bank generated 15 residential mortgage loans of which five (33.3%) were extended within its assessment area.

- **Geographic Distribution of Lending**

ACB's geographic distribution of lending needs to improve.

The bank did not originate any business loans in LMI census tracts within its assessment area during the evaluation period.

ACB's originations of 1-4 family residential mortgage loans in LMI areas were limited to one loan for \$100 thousand in 2000 and one loan for \$300 thousand during the first three-quarters of 2001.

- **Borrower Distribution of Lending**

ACB's distribution of lending based on borrower income is adequate, reflecting a satisfactory distribution of small business loans and a poor distribution of home mortgage loans.

In 2000, the bank generated six business loans within the assessment area, of which four (67%) were small business loans. Three (75%) of the small business loans were to businesses with gross annual revenues of less than \$1 million. An additional loan in the amount of \$1.1 million was also made to a small business. In the first three-quarters of 2001, all six of the business loans made by the bank in its assessment area were small business loans, with four (67%) going to businesses with gross annual revenues of less than \$1 million.

During the evaluation period, none of the 1-4 family home mortgage loans originated by the bank in its assessment area were made to LMI individuals.

- **Action Taken In Response to Written Complaints With Respect to CRA**

Neither ACB nor the New York State Banking Department received any written complaints with respect to the bank's CRA performance

- **Services**

Alpine's only office is located at 680 Fifth Avenue, in Manhattan. Banking hours are from 9 A.M. to 5 P.M., Monday to Friday. ACB offers bank by phone, which allows customers to transfer funds between accounts, as well as bank by mail. The bank's web site (<http://www.alpinecapitalbank.com>) can be accessed by customers if they have questions. In addition, the bank issues ATM cards that provide customers with access to their funds through the MAC and CIRRUS networks and reimburse them up to \$1.50 per transaction, up to five times per month.

- **Discrimination or Other Illegal Practices**

There were no practices noted that were intended to discourage applications for the types of credit offered by the bank.

The most recent regulatory compliance report made concurrent with this evaluation indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

- **Process Factors**

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

The bank seeks to ascertain the credit needs of its community by having its officers and employees participate in community events and activities. During the evaluation period, senior management attended the luncheon for the New York Housing Conference and National Housing Conference, which focused on the involvement of various New York banks in the redevelopment of local affordable housing.

The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution.

The bank's marketing efforts have been limited due to its limited resources. Thus far, ACB's marketing efforts have focused on making itself known in the local area. This has been

achieved via contacts from existing customers and board members.

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

ACB's board members are all familiar with CRA and its guidelines. The board reviews and approves the CRA policy on an annual basis. Understanding the importance of CRA, board members continuously seek opportunities and innovative ways for the bank to extend credit or offer assistance to the community, especially to low- and moderate- income individuals. Bank management believes that its board members, as businessmen with long and varied experience in a number of areas, have contacts that would enable them to identify such opportunities.

- **Other Factors**

Other factors that in the judgement of the Superintendent and Banking Board, bear upon the extent to which a banking institution is helping to meet the credit needs of its entire community.

ACB helped to meet the needs of the community following the events of September 11, 2001 by offering assistance to clients who were directly affected:

- The bank deferred the financial statement requirements of borrowers whose records were lost in the destruction of the World Trade Center.
- The bank established a policy by which service charges would be waived on actions required as a result of the events (e.g. stop payments placed on lost checks, wires sent to replace lost checks, etc.).
- The bank offered to extend credit to the employees and family members of employees working at the Windows of the World.

ACB also tries to enhance the quality of life for members of the community by extending assistance to the following:

- Prep for Prep, and organization focused on assisting financially underprivileged, but intellectually gifted students from New York City. The students were introduced to all aspects of banking, providing them with insight into the various functions of the bank.
- Tomorrow's Children Fund, and organization working on behalf of children suffering from cancer and blood disorders.
- The bank participated in fundraising efforts of Women at Risk, an organization dedicated to breast cancer awareness and research.

GLOSSARY

Aggregate

The cumulative lending by all HMDA-reporting lenders in the same geographic area under evaluation.

Community Development

The term “community development” is defined to mean:

1. Affordable housing (including multifamily housing) for low- or moderate-income (“LMI”) individuals;
2. Community services targeted to LMI individuals;
3. Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration (“SBA”) Development Company or Small Business Investment Company programs, or have gross annual incomes of \$1 million or less;
4. Activities that revitalize or stabilize LMI geographies; and
5. Activities that seek to prevent defaults and/or foreclosures in loans included in (1) and (3), above.

A “community development loan” is defined as a loan that has as its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving low or moderate income (“LMI”) persons;
- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are located in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

A “qualified investment” is defined as a lawful investment, deposit, membership share or grant that has as its *primary purpose* community development. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions,

community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals in order to promote community development;

- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;
- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

A "community development service" is defined as a service that has as its *primary purpose* community development, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
 - ❖ Serving on a loan review committee;
 - ❖ Developing loan application and underwriting standards;
 - ❖ Developing loan processing systems;
 - ❖ Developing secondary market vehicles or programs;
 - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
 - ❖ Furnishing financial services training for staff and management;

- ❖ Contributing accounting/bookkeeping services; and
- ❖ Assisting in fund raising, including soliciting or arranging investments.

Demand-Adjusted Penetration Rate

The number of owner-occupied loans made by the institution (or aggregate as appropriate) in a geographic area per thousand owner-occupied housing units in that area. Mathematically, it is arrived at by dividing the number of owner-occupied housing units into the number of loans made and then multiplying by 1,000.

Demand-Adjusted Penetration Ratio

A ratio that depicts geographic penetration of loans by comparing demand-adjusted lending in LMI areas with non-LMI areas. Mathematically, it is arrived at by dividing the demand-adjusted penetration rate in non-LMI areas into the demand-adjusted penetration rate in LMI areas and then expressed as a percentage.

A ratio of 100% means that the institution (or aggregate as appropriate) made an equal number of loans proportionally in LMI and non-LMI areas. Less than 100 percent would indicate less lending in LMI areas on the same basis compared to non-LMI areas, whereas over 100 percent would indicate a greater level of lending in LMI areas versus non-LMI areas.

Home Mortgage Disclosure Act (“HMDA”)

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Loans to Small Businesses

Small business loans to businesses with gross annual revenues of \$1 million or less.

Low or Moderate Income (“LMI”) Geographies

Those census tracts or block numbering areas (“BNAs”), where according to the 1990 US Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of BNAs and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

Borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In the case where the residential property is located in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the U.S. Department of Housing and Urban Development (“HUD”).

LMI Individuals/Persons

Those individuals, whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

Small Business Loans

Loans to businesses with original amounts of \$1 million or less.