



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

One State Street  
New York, NY 10004

**PUBLIC SUMMARY**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Date of Evaluation:** December 31, 2001

**Institution:** The Chinese American Bank  
77-79 Bowery  
New York, NY 10002

**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 The Chinese American Bank (“CAB”) 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 December 31, 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**

### **Overall Rating:** "Satisfactory"

The Chinese American Bank ("CAB" or the "bank") is rated "2", indicating a satisfactory record of helping to meet community credit needs. This rating is based on the following factors:

### **Lending Test:** "Low Satisfactory"

- CAB's lending levels reflect an adequate responsiveness to the assessment area credit needs, considering its size and capacity.
- CAB makes an adequate percentage of small business loans within its assessment area. In 2000, the bank originated 59.7% by number and 63.7% by dollar volume of its small business loans within the assessment area. In 2001, the bank's ratios improved to 67.2% and 68.7%, respectively, although absolute number and dollar volume declined slightly from the prior year. The assessment area concentration reflects improvement over the percentages reported at prior evaluation.
- The geographic distribution of small business loans reflects a good penetration throughout CAB's assessment area. In 2000, CAB originated 37.0% by number and 41.3% by dollar volume of its small business loans in low- and moderate-income ("LMI") geographies within the assessment area. In 2001, both ratios declined to 34.9%, but remained strong.
- The borrower distribution of lending reflects an adequate record of penetration among businesses of different sizes. In 2000, the bank originated 37.0% by number and 6.6% by dollar volume of its small business loans at \$100 thousand or less. In 2001, the two ratios improved to 44.2% and 12.9%, respectively. In 2000, all of the bank's small business loans were extended to businesses with annual revenues of less than \$1 million. In 2001, the ratio was 95.4%.
- CAB makes a relatively high level of community development loans. The bank's community development loans and commitments totaled \$4.0 million and all were new commitments.
- CAB makes limited use of innovative and/or flexible lending practices in serving the assessment area credit needs. In response to the 9/11 terrorist attack on the World Trade Center, CAB instituted a 9/11 RECOVERY LOAN PROGRAM, a reduced rate loan program for qualified individuals or companies adversely impacted by the attack.

### **Investment Test:** "High Satisfactory"

- CAB's qualified investments and grants exhibit a significant responsiveness to credit

and community development needs, given the bank's size and capacity. During this evaluation period, CAB made qualified investments totaling \$2.1 million.

- CAB made grants totaling \$37.1 thousand to 11 organizations that are engaged in activities that promote revitalization and stabilization and community services in LMI geographies.
- CAB also made grants totaling \$21.1 thousand to various organizations involved in the World Trade Center relief efforts.

**Services Test:** "Low Satisfactory"

- Delivery systems are reasonably accessible to essentially all portions of the bank's assessment area.
- CAB's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems particularly in LMI geographies and/or to LMI individuals.
- Business hours and services do not vary in a way that inconveniences portions of the assessment area particularly LMI geographies and/or to LMI individuals.
- The bank acts as a mortgage broker for third parties thereby making residential home purchase and refinancing mortgages available to its customers.
- CAB provides an adequate level of community development services. These include seminars for first-time homebuyers, predatory lending and banking services basics. Additionally, senior officers of the bank helped translate SBA Disaster loan application forms and related information into Chinese to expedite the loan processing in the Federal Emergency Management Agency's Service Center in Chinatown, which was setup as part of the World Trade Center Disaster relief efforts.
- The bank is a participant in the New York Electronic Benefits Program for the New York Benefit Card for low-income New Yorkers receiving cash benefits.

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:**

The Chinese American Bank ("CAB" or the "bank"), chartered by the State of New York in 1967, is a FDIC insured non-member retail commercial bank. CAB is a wholly owned subsidiary of Chinese American Bank Holding, LLC, a one-bank holding company.

CAB provides a range of deposit and credit services to consumers and businesses through three full service offices: two in Chinatown in New York County and one in Flushing in Queens County. All offices have deposit taking Automated Teller Machines ("ATMs") facilities and Safe deposit boxes. The bank's primary business is the origination of commercial mortgage loans and loans to small or medium size businesses including importers and exporters.

For the calendar year ending December 31, 2001, CAB's Consolidated Reports of Condition and Income showed total assets of \$319.3 million, including investments of \$97.9 million (30.6%) and net loans and leases of \$146.8 million (46.0%). Deposits totaled \$270.6 million including \$211.5 million of core deposits. The bank's equity capital was \$46.1 million. CAB reported net income of \$2.3 million for the 12 months ending December 31, 2001.

According to the FDIC on June 30, 2001, the bank's offices in New York and Queens Counties accounted for less than one-half of 1% of each county's total deposits. The bank's average loan-to-deposit ("LTD") ratios were 59.1% for 2001 and 67.2% for 2000. These ratios were below CAB's national peer group average LTD ratios of 79.6% and 77.8% respectively. The national peer group consists of all FDIC insured commercial banks with assets between \$300 and \$500 million and three or more banking offices.

The following chart details the bank's gross loans on December 30, 2001, 2000 and 1999, according to Schedule RC-C (Loans and Lease Financing Receivables) of the Consolidated Reports of Condition and Income:

<b>TOTAL GROSS LOANS OUTSTANDING</b>						
LOAN TYPE	12/31/2001		12/31/2000		12/31/1999	
	\$000's	%	\$000's	%	\$000's	%
Commercial Mortgage Loans	126,411	84.8%	135,797	76.7%	112,505	72.9%
Commercial & Industrial Loans	18,520	12.4%	36,689	20.7%	38,541	25.0%
Consumer Loans	4,195	2.8%	4,594	2.6%	3,323	2.2%
Other Loans	2	0.0%	17	0.0%	33	0.0%
<b>Total Gross Loans</b>	<b>149,128</b>	<b>100.0%</b>	<b>177,097</b>	<b>100.0%</b>	<b>154,402</b>	<b>100.0%</b>

The above table shows that the bank's gross loans decreased by 3.4% between evaluations and that CAB is primarily a commercial real estate lender. Moreover,

commercial mortgage lending increased, while commercial and industrial lending decreased, as a percentage of the bank's portfolio.

The bank offers a variety of lending products including:

- ❖ Commercial Loans
- ❖ Commercial Real Estate Mortgage Loans
- ❖ Trust Receipt Loans
- ❖ Personal Installment Loans
- ❖ Credit Cards

CAB does not originate residential mortgages but acts as a mortgage broker on behalf of third parties.

CAB does not participate in any governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

CAB operates in highly competitive markets and competes against numerous institutions, many of which have greater resources and larger branch systems. The bank's operations were adversely impacted by the 2000- 2001 recession and by the 9/11 attack on the World Trade Center, which had a very negative impact on the bank's Chinatown market.

As the Asian population in the metropolitan area has increased, it has expanded beyond the lower-east side of Manhattan (Chinatown), and into the other boroughs of New York City. While there are several hubs where ethnic Asian establishments are concentrated, businesses and residences are dispersed throughout the area. Many banks operate in environments similar to CAB. Examples of ethnic Chinese banks with branches in Chinatown and/or Flushing areas include, but are not limited to: Amerasia Bank, Cathy Bank, Great Eastern Bank, Asian Bank, NA, United Orient Bank, Eastbank, NA and Chinatrust Bank (U.S.A).

The bank received a rating of "3" at its last Performance Evaluation by the Banking Department as of December 31, 1999, reflecting a "Needs to Improve" record of helping to meet community credit needs.

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

### **Assessment Area:**

CAB's assessment area includes parts of three counties (New York, Queens and Kings), only two (New York and Queens) in which the bank has a branch presence. During the evaluation period the bank added additional neighborhoods in Kings and Queens to its prior assessment area. The assessment area now consists of 642 census tracts of which 40 (6.2%) are low-income tracts, 139 (21.7%) moderate-income, 288 (44.9%) middle-

income and 158 (24.6%) upper-income tracts. The area also includes 17 (2.6%) zero-income tracts. One hundred and two of the tracts are in New York County, 214 in Queens and 326 in Kings County. The prior evaluation's assessment area consisted of 317 census tracts of which 103 were in New York County, 116 in Queens and 98 in Kings County.

The bank's assessment area in New York County includes all areas south of 42nd Street to Battery Park. The area has a total of 102 census tracts of which 14 (13.7%) are low-income tracts, 17 (16.7%) are moderate-income, 16 (15.7%) are middle-income and 51 (50.0%) are upper-income tracts. This area has four (3.9%) zero-income tracts.

The bank's assessment area in Queens County contains most of northwestern Queens. This area includes the following neighborhoods: Flushing, Hillcrest, Kew Gardens, Forest Hills, Rego Park, Middle Village, Maspeth, Sunnyside, Hunters Point, Long Island City, Queensbridge, Astoria, Woodside, Jackson Heights, Elmhurst and Corona. The area has 214 census tracts, of which one (0.5%) is a low-income tract, 48 (22.4%) are moderate-income, 111 (51.9%) are middle-income and 49 (22.9%) are upper-income tracts. This area also has five (2.3%) zero-income tracts.

CAB's assessment area in Kings County includes most of the western portion of the county. The area has 326 census tracts, of which 25 (7.7%) are low-income tracts, 74 (22.7%) are moderate-income, 161 (49.4%) are middle-income and 58 (17.8%) are upper-income tracts. The county also has eight (2.4%) zero-income tracts.

According to the U.S. Census Bureau, in 1990, CAB's assessment area had a population of 2.1 million, of which 14.7% (307.5 thousand) were over 65 and 17.2% (358.7 thousand) were under the age of 16.

In 1990, there were 490.3 thousand families in the assessment area, of which 25.9% (127.0 thousand) were low-income families, 17.1% (83.8 thousand) moderate-income, 19.3% (94.7 thousand) middle-income and 37.7% (184.6 thousand) upper-income families. There were 871.8 thousand households in the assessment area, of which 15.4% (134.3 thousand) had income below the poverty level.

Forty-five point one percent (95.0 thousand) of the LMI families lived in LMI census tracts and these families accounted for 63.2% of all the families (150.5 thousand) that lived in LMI census tracts.

In 1990, there were 924.7 thousand housing units in the area, of which 25.7% (237.5 thousand) were located in LMI areas. Of the total housing units 32.1% (296.9 thousand) were 1-4 family units and 66.4% (614.0 thousand) were multifamily units. Twenty four percent (221.8 thousand) of the housing units were owner occupied and 14.9% (33.1 thousand) of these units were located in LMI tracts. Seventy point four percent (650.6 thousand) of the housing units were renter occupied and 29.7% (193.2 thousand) of these units were in LMI tracts. Five point eight percent (53.9 thousand) of all housing units were

vacant and/or boarded up. In 1990, median housing value was \$208.9 thousand and the median age of the houses was 44 years.

The 1990, median family income for the assessment area was \$37.6 thousand and the median 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.

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

### **County Demographics:**

**New York County:** New York County (Manhattan) has 298 census tracts including 63 (21.1%) low-income tracts, 65 (21.8%) moderate-income, 33 (11.1%) middle-income and 126 (42.3%) upper-income tracts. There are also 11 (3.7%) zero-income tracts.

According to the U.S. Census Bureau, New York County had a population of 1.49 million in 1990 and it increased by 49.7 thousand (3.3%) to 1.54 million in 2000.

In 1990, there were 305.4 thousand families in the county, of which 42.7% (130.2 thousand) were LMI families, including 17.4% (53.1 thousand) whose income were below the poverty level. Fourteen point four percent (43.8 thousand) were middle-income 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 six percent (99.7 thousand) of the LMI families lived in LMI census tracts and these families accounted for 68.3% of all the families (145.9 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. 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% (233.8 thousand) were located in LMI areas. Nine point one percent (71.2 thousand) of all the units were vacant and/or boarded up. In 1990, the median housing value was \$212.4 thousand and the median age of the housing was 41 years.

The 1990, median family income for the county was \$36.8 thousand and the median 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.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were finance, insurance and real estate

40.1%, services 30.9% and state and local government 9.0%. In 1990, the major sources of earning were services 33.8%, finance, insurance and real estate 25.7% and state and local government 13.6%.

According to a Dun and Bradstreet survey, in 2001, there were 138.8 thousand businesses in New York County, of which 108.7 thousand (78.3%) had revenues of \$1.0 million or less. Twenty-three point four thousand (16.9%) had revenues of more than \$1.0 million and 6.7 thousand (4.8%) were businesses on which no revenues were reported. One hundred and twenty-three point eight thousand (89.3%) of all the businesses in the county had fewer than 50 employees and 109.0 thousand (78.6%) operated from a single location.

Forty-six point two percent (64.1 thousand) of all firms were service providers, 16.4% (22.8 thousand) were in the retail trade, 14.1% (19.5 thousand) were in finance, insurance and real estate, 10.0% (13.9 thousand) were in the wholesale trade, 7.1% (9.9 thousand) in manufacturing and 3.5% (4.8 thousand) in transportation and communications.

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 were slightly below the MSA's average rate of 5.3% in 2000 and slightly above the MSA's rate of 5.6% in 2001.

A portion of New York County has been designated an Economic Development Zone ("EDZ") by the State of New York, based on community economic distress. East Harlem has been designated an EDZ. 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.

**Queens County:** Queens County has 673 census tracts including 7 (1.0%) low-income tracts, 80 (11.9%) moderate-income, 331 (49.2%) middle-income and 238 (35.4%) upper-income tracts. There are also 17 (2.5%) zero-income tracts.

According to the U.S. Census Bureau, Queens County had a population of 2.0 million in 1990, and it increased by 277.8 thousand (14.2%) to 2.2 million in 2000.

In 1990, there were 495.6 thousand families in the county, of which 34.6% (171.7 thousand) were LMI families, including 8.3% (41.1 thousand) whose income was below the poverty level. Twenty-one point seven percent (107.5 thousand) were middle and 43.7% (216.4 thousand) were upper income families. There were 718.4 thousand households in the county, of which 10.8% (77.9 thousand) had income below the poverty level.

Twenty-four point four percent (41.9 thousand) of the LMI families lived in LMI census tracts and these families accounted for 57.9% of all the families (72.3 thousand) that lived in LMI census tracts.

There were 752.7 thousand housing units in Queens County, of which 14.6% (109.6 thousand) were located in LMI areas. Of the total housing units, 56.6% (426.3 thousand) were 1 to 4 family units and 41.4% (311.8 thousand) were multi-family units. Forty point seven percent (306.1 thousand) of all housing units were owner occupied, of which 5.9% (18.1 thousand) were located in LMI areas. Fifty-five percent (414.0 thousand) of the units were rent occupied, of which 21.0% (87.1 thousand) were located in LMI areas. Four point fiver percent (34.0 thousand) of all the housing units were vacant and/or boarded up. In 1990, the median housing value was \$198.1 thousand and the median age of the housing was 41 years.

The 1990, median family income for the county was \$40.4 thousand and the median 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.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were services 29.8%, transportation and public utilities 18.2% and construction 12.3%. In 1990, the major sources of earning were services 27.4%, transportation and public utilities 18.8% and construction 10.8%.

According to a Dun and Bradstreet survey, in 2001, there were 55.1 thousand businesses in Queens County, of which 45.5 thousand (82.6%) had revenues of \$1.0 million or less. Five point three thousand (9.6%) had revenues of more than \$1.0 million and 4.3 thousand (7.8%) were businesses on which no revenues were reported. Ninety point nine percent (50.1 thousand) of all businesses in the county had fewer than 50 employees and 87.7% (48.4 thousand) operated from a single location.

Thirty-nine point one percent (21.6 thousand) of all firms were service providers, 23.8% (13.1 thousand) were in the retail trade, 9.0% (5.0 thousand) in finance, insurance and real estate, 8.4% (4.6.thousand) in construction, 7.2% (4.0 thousand) in the wholesale trade and 6.9% (3.8 thousand) in transportation and communications.

According to the New York State Department of Labor, the county's average unemployment rates were 5.0% in 2000 and 5.1% in 2001. The county's average unemployment rates were above the state's average rates 4.6% in 2000 and 4.9% in 2001 but were below the MSA's average rates of 5.3% in 2000 and 5.6% in 2001.

Portions of Queens County have been designated as EDZs by the State of New York, based on community economic distress. The Far Rockaway and South Jamaica neighborhoods are designated EDZs.

**Kings County:** Kings County (Brooklyn) has 789 census tracts including 114 low-income tracts (14.5%), 207 (26.2%) moderate-income, 302 (38.3%) middle-income and 147 (18.6%) upper-income tracts. There are also 19 (2.4%) zero-income tracts.

According to the U.S. Census Bureau, Kings County had a population of 2.3 million in 1990 and it increased by 164.7 thousand (7.2%) to 2.5 million in 2000.

In 1990, there were 563.3 thousand families in the county, of which 50.0% (281.6 thousand) were LMI families, including 19.5% (109.8 thousand) whose income was below the poverty level. Nineteen percent (106.8 thousand) were middle-income and 31.0% (174.9 thousand) were upper income families. There were 827.7 thousand households in the county, of which 21.5% (178.1 thousand) had income below the poverty level.

Sixty-two point three percent (175.4 thousand) of the LMI families lived in LMI census tracts and these families accounted for 65.9% of all the families (266.1 thousand) that lived in LMI census tracts.

There were 873.7 thousand housing units in Kings County, of which 44.9% (391.8 thousand) were located in LMI areas. Of the total housing units, 46.3% (404.7 thousand) were 1 to 4 family units and 52.2% (455.7 thousand) were multi-family units. Only 24.7% (215.8 thousand) of the housing units were owner occupied, of which 25.7% (55.4 thousand) were located in LMI areas. Seventy point one percent (612.4 thousand) of the housing units were rent occupied, of which 51.3% (314.1 thousand) were located in LMI areas. Five point twenty percent (45.5 thousand) of all housing units were vacant and/or boarded up. In 1990, the median housing value was \$181.4 thousand and the median age of the housing was 44 years.

The 1990, median family income for the county was \$30.0 thousand and the median 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.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 2000 in the county were services 39.5%, finance, insurance and real estate 12.0% and transportation and public utilities 8.1%. In 1990, the major sources of earning were services 37.4%, the retail trade 9.4%, and non-durable goods manufacturing 8.1%.

According to a Dun and Bradstreet survey, in 2001, there were 59.4 thousand businesses in Kings County, of which 49.9 thousand (84.0%) had revenues of \$1.0 million or less. Five point one thousand (8.6%) had revenues of more than \$1.0 million and 4.4 thousand (7.4%) were businesses on which no revenues were reported. Ninety-one point five percent (54.4 thousand) of all business in the county had fewer than 50 employees and 88.9% (52.9 thousand) operated from a single location.

Forty-one percent (24.4 thousand) of all firms were service providers, 25.9% (15.4 thousand) were in the retail trade, 8.0% (4.7 thousand) in the wholesale trade, 7.7% (4.6 thousand) in finance, insurance and real estate, 6.4% (3.8 thousand) in construction and 5.7% (3.4 thousand) in manufacturing.

According to the New York State Department of Labor, the county's average unemployment rates were 6.6% in 2000 and 6.7% in 2001. The county's average unemployment rates were above both the state's average rates 4.6% in 2000 and 4.9% in 2001 and the MSA's average rates of 5.3% in 2000 and 5.6% in 2001.

Portions of Kings County have been designated as EDZs by the State of New York, based on community economic distress. The Brooklyn Navy Yard, Sunset Park and Red Hook neighborhoods are designated EDZs.

## **PERFORMANCE TESTS AND ASSESSMENT FACTORS**

This Performance Evaluation incorporates a review of the bank's lending, investment and service activities in its assessment area for calendar years 2000 and 2001, utilizing the performance tests and standards for large banks.

### **I. Lending Test:** "Low Satisfactory"

The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Assessment Area Concentration; (3) Distribution of Lending based on Census Tract income; (4) Distribution of Lending based on Borrower Characteristics; (5) Community Development Lending; and (5) Innovative or Flexible Lending Practices.

Analysis of the bank's loans is primarily on small business loans because the bank does not originate mortgage loans.

#### **Lending Activity:** "Low Satisfactory"

CAB's lending levels reflect an adequate responsiveness to the assessment area credit needs, given its size and capacity.

During 2000, CAB originated 77 small business loans totaling \$16.1 million and in 2001 it originated 64 loans totaling \$15.5 million. As noted in the prior CRA evaluation, CAB originated 70 small business loans totaling \$7.5 million in 1997, 78 loans totaling \$17.9 million in 1998 and 85 loans totaling \$21.4 million in 1999. While the number of loans remains relatively constant, their total dollar volume has fluctuated somewhat over time.

The bank originated 363 consumer loans totaling \$6.4 million in 2000 and 233 loans totaling \$4.5 million in 2001. This is somewhat consistent with its lending volume at the last evaluation, which noted 316 consumer loans totaling \$5.5 million in 1997, 253 loans \$4.4 million in 1998 and 353 loans totaling \$6.3 million in 1999.

The decline in the number and dollar volume of loans originated in 2001 was due to the weakened economy and the impact of the terrorist attack on September 11, 2001.

#### **Proportion of Lending Within Assessment Area:** "Low Satisfactory"

Chinese American Bank makes an adequate percentage of small business loans within its assessment area.

In 2000, CAB originated 77 small business loans totaling \$16.1 million, of which 46 (59.7%) loans totaling \$10.2 (63.7%) million were made within the assessment area. In 2001, the bank originated 64 small business loans totaling \$15.5 million, of which 43 (67.2%) loans totaling \$10.6 (68.7%) million were made within the assessment area. This

represents an improvement over 1998 and 1999 small business lending as reported in the prior evaluation, when the bank originated 41 (52.6%) loans totaling \$8.0 (44.7%) million and 37 (43.5%) loans totaling \$8.3 (38.8%) million, respectively, within its assessment area.

The following chart illustrates small business lending originated by CAB in 2000 and 2001 in its assessment area:

<b>CAB Small Business Lending</b>				
	<b>2001</b>		<b>2000</b>	
	<b>Number</b>	<b>\$ ('000)</b>	<b>Number</b>	<b>\$ ('000)</b>
<b>All Lending</b>	<b>64</b>	<b>\$15,463</b>	<b>77</b>	<b>\$16,091</b>
<b>Assessment Area Lending</b>	<b>43</b>	<b>\$10,618</b>	<b>46</b>	<b>\$10,249</b>
<b>Assessment Area %</b>	<b>67.2%</b>	<b>68.7%</b>	<b>59.7%</b>	<b>63.7%</b>

**Geographic Distribution of Lending:** “High Satisfactory”

The geographic distribution of small business loans reflects a good penetration throughout CAB’s assessment area.

In 2000, CAB originated 46 small business loans totaling \$10.2 million within its assessment area, of which 17 loans (37.0%) totaling \$4.2 million (41.3%) were made in LMI geographies. In 2001, the bank made 43 small business loans totaling \$10.6 million within its assessment area, of which 15 loans (34.9%) loans totaling \$3.7 million (34.9%) were made in LMI geographies.

Although the bank's percentages for small business loans made in LMI geographies declined when compared to 1999 percentages, they still reflect a good penetration of such areas. In 1999, the bank originated 37 small business loans totaling \$8.3 million within its assessment area, of which 19 (51.4%) loans totaling \$3.9 (47.1%) million were made in LMI geographies.

The following chart illustrates the geographic distribution of CAB's lending during the evaluation period:

CAB Small Business Loans by Census Tract								
Geocode	Number of Loans	2001			2000			
		%	\$ ('000)	%	Number of Loans	%	\$ ('000)	%
Low	1	2.3%	700	6.6%	1	2.2%	160	1.6%
Moderate	14	32.6%	3,010	28.3%	16	34.8%	4,069	39.7%
Middle	11	25.6%	2,135	20.1%	14	30.4%	3,554	34.7%
Upper	15	34.9%	4,473	42.1%	14	30.4%	2,446	23.9%
N/A	2	4.7%	300	2.8%	1	2.2%	20	0.2%
<b>Total</b>	<b>43</b>	<b>100.0%</b>	<b>10,618</b>	<b>100.0%</b>	<b>46</b>	<b>100.0%</b>	<b>10,249</b>	<b>100.0%</b>

**Borrower Distribution of Lending:** “Low Satisfactory”

The borrower distribution of lending reflects an adequate record of penetration among businesses of different sizes.

In 2000, of the 46 small business loans originated by the bank, 17 loans (37.0%) were loans of less than \$100 thousand, 13 (28.3%) were loans between \$100 thousand and \$250 thousand and 16 (34.7%) were loans between \$250 thousand and \$1 million. In 2001, of the 43 small business loans originated by CAB, 19 (44.2%) were loans of less than \$100 thousand, seven (16.3%) were loans between \$100 thousand and \$250 thousand and 17 (39.5%) were loans between \$250 thousand and \$1 million.

The 2001 percentage of 44.2% loans made for less than \$100 thousand was comparable with the 1999 percentage of 48.6% while the 2000 percentage of 37.0% was below 1999's percentage.

CAB Small Business Loans by Loan Size								
Loan Amount	#	2001			2000			
		%	\$ ('000)	%	#	%	\$ ('000)	%
<\$100M	19	44.2%	1,370	12.9%	17	37.0%	681	6.6%
>\$100M & <\$250M	7	16.3%	1,309	12.3%	13	28.3%	2,594	25.3%
>\$250M & <\$1MM	17	39.5%	7,939	74.8%	16	34.8%	6,974	68.0%
<b>Total</b>	<b>43</b>	<b>100.0%</b>	<b>10,618</b>	<b>100.0%</b>	<b>46</b>	<b>100.0%</b>	<b>10,249</b>	<b>100.0%</b>

In 2000, all 46 of the small business loans originated by CAB were made to small

businesses having revenues of less than \$1 million. In 2001, 41 of the 43 small business loans originated by the bank were made to firms with firms with revenues of less than \$1 million.

**Community Development Lending:** “High Satisfactory”

CAB makes a relatively high level of community development loans.

The bank's community development loans and commitments totaled \$4.0 million for the evaluation period, all of which were new commitments. The following is a brief description of these loans and commitments:

In October of 2001, the bank made a \$2.0 million seven-year first mortgage loan to finance the conversion of a hotel building into medical offices. The building is located in a moderate-income census tract in Flushing, Queens and this loan will help in revitalizing and stabilizing the area.

In December of 2001, the bank made a \$2.5 million seven-year first mortgage loan secured by three commercial properties located in a low- income census tract in the Bedford Stuyvesant section of Kings County. Two million dollars of the mortgage loan is considered community development lending since this amount was used to refinance short-term debt of an affiliated company that operated a feather and down processing company in one of the buildings. This refinancing helped the affiliate to continue its operations in this low-income area, which contributed to its revitalization and stabilization, by continuing to provide job opportunities for individuals living in the neighborhood.

**Innovative and Flexible Lending Practices:** “Low Satisfactory”

CAB makes limited use of innovative and/or flexible lending practices in serving assessment area credit needs.

In response to the 9/11 terrorist attack on the World Trade Center, CAB instituted a 9/11 RECOVERY LOAN PROGRAM. Under the terms of this program, qualified individuals or companies adversely impacted by the attack could obtain reduced rate loans for home repair or short term financing. The loans would be one to three year installment loans for \$3 thousand to \$30 thousand with the actual loan amount dependent on the verified disaster loss. The interest rates would be 4.25% for the first year, 6.25% for the second year and 8.25% for the third year.

During the evaluation period, the bank made four loans totaling \$100 thousand under this program.

**II. Investment Test:** “High Satisfactory”

The investment test performance criteria that were utilized for this evaluation include the

following: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

CAB's qualified investments and grants exhibit a significant responsiveness to credit and community development needs. During this evaluation period, CAB made qualified investments and grants totaling \$2.1 million, all of which were new initiatives.

The bank is not generally in a leadership position with regard to investments not normally provided by private investors, nor are its investments considered to be complex.

The following is a brief description of CAB's investments:

➤ **The 1818 SBIC Fund, LP:** CAB has a \$1.7 million commitment to make equity investments in this Small Business Administration-approved Small Business Investment Company. As of the evaluation date, no drawdowns were made under this commitment. The purpose of the Fund is to invest in debt securities, primarily subordinated debt with an equity component, and preferred and common equity securities of small businesses located primarily in the northeastern United States.

➤ **Community Capital Bank (CCB):** The bank had two certificates of deposit totaling \$400 thousand with CCB of which \$100 thousand remained outstanding as of the evaluation date. CCB was New York City's first community development bank and is a certified community development financial institution. The bank's primary function is to provide funds to develop housing for LMI families and to promote job creation through small business lending in New York City.

**Grants:** CAB made grants totaling \$37.1 thousand to 11 organizations that are engaged in revitalization and stabilization (\$2.5 thousand) and community services (\$34.6 thousand).

CAB also made grants totaling \$21.1 thousand to various organizations involved in the World Trade Center relief efforts (see Other Factors, below, for more information concerning these grants).

### III. **Service Test:** "Low Satisfactory"

The service test performance criteria that were utilized for this evaluation include the following: 1) the availability and effectiveness of the bank's systems for delivering *retail banking services*; and 2) the extent and innovativeness and responsiveness of the bank's *community development services*.

## **Retail Banking Services: “Low Satisfactory”**

### ***Accessibility of Delivery Systems***

CAB’s delivery systems are reasonably accessible to essentially all portions of the bank’s assessment area.

The bank’s systems of delivering retail services are reasonably accessible in the parts of New York and Queens Counties included within its assessment area. The bank has no offices in the Kings County portion of its assessment area. Although all offices are accessible by public transportation, individuals living in LMI geographies in the Kings County portion of the assessment area cannot easily access them. This area has a total of 99 LMI census tracts or 55.3% of the LMI census tracts within the assessment area.

The head office is located in a moderate-income census tract while the Canal Street office is located in an upper income tract adjacent to LMI tracts. The Flushing office in Queens County is located in a moderate-income tract.

### ***Changes in Branch Locations***

CAB's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems particularly in LMI geographies and/or to LMI individuals.

During the evaluation period, the bank relocated its Park Row branch that was in a middle-income census tract and adjacent to LMI tracts, to Canal Street. The new location is in an upper-income census tract that is adjacent to LMI census tracts. Both locations are in the Chinatown section of New York County.

In addition, during this evaluation period, CAB installed deposit-taking ATMs in all of its offices. CAB's head office and Flushing office each have two ATMs while the Canal Street office has eight ATMs.

### ***Reasonableness of Business Hours and Services***

Business hours and services do not vary in a way that inconveniences certain portions of the assessment area particularly LMI geographies and/or LMI individuals.

The regular business hours of CAB’s offices are from 9:00 a.m. to 4:00 p.m., Monday through Friday. The Flushing and Canal Street offices are open from 10:00 a.m. to 2:00 p.m., on Saturdays. The head office is open from 10:00 a.m. to 2:00 p.m., Sundays.

All branches have 24-hour, 7-days a week deposit taking ATM facilities and the bank is a participant in the NYCE, CIRRUS, PLUS, Master Card, Visa American Express, Discover and Quest ATM networks.

The head office and the Flushing office have safe deposit boxes available for rent.

Multi-lingual (English, Mandarin, Cantonese, Fukinese and Taiwanese) service is available at all branches.

The bank also acts as a mortgage broker for third parties thereby making residential home purchase and refinancing mortgages available to its customers. During the evaluation period, CAB acted as a mortgage broker for eight transactions totaling \$1.7 million.

CAB's customers can telephone the individual branches to conduct various banking services. These services include obtaining current account information, making transfers between accounts, making loan payments, confirming recent deposits, verifying that a check has been paid and reporting lost or stolen credit and ATM cards and numbers. If a customer wishes to transfer funds out of the bank, payment instructions may be faxed to the branch.

Bank by mail is available for deposit and loan products. Also available is automatic direct deposit in which social security, government and military pensions, payroll, dividends and other sources of funds can be deposited directly into a customer's account.

**Community Development Services: "Low Satisfactory"**

CAB provides an adequate level of community development services.

The bank is a participant in the New York Electronic Benefits Program for the New York Benefit Card for low-income New Yorkers receiving cash benefits. The bank has waived ATM fees in connection with this program.

Free Notary Public service to the general public is available at all of the bank's offices.

CAB conducted a First Time Homebuyers seminar at its head office and at the Sheraton Hotel in Flushing, Queens to educate first time homebuyers about the loan application, dealing with reputable real estate brokers and other relevant information about purchasing a home.

The bank conducted a "Predatory Lending and How to Protect Your Money" seminar at the United Senior Citizen Center. The seminar focused on the most common financial problems elderly people encounter and educated the audience on how to prevent predatory lending and how to protect their money.

CAB conducted a "Banking Services Basics" seminar at the Chinatown Manpower Project, Inc. Business Outreach Center. The seminar covered basic financial and investment concepts and introduced basic financial instruments such as basic banking accounts, regular checking accounts, savings accounts, ATM cards, credit cards, personal loans and mortgage loans.

Senior officers of the bank helped translate the SBA Disaster loan application forms and related information into Chinese to expedite the loan processing in the Federal Emergency Management Agency's Service Center in Chinatown, which was set up as part of the World Trade Center Disaster relief efforts.

#### **IV. Discrimination or Other Illegal Practices**

##### **Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.**

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

##### **Evidence of prohibited discriminatory or other illegal credit practices.**

The most recent regulatory compliance examination conducted 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 discrimination or other illegal credit practices was noted.

#### **V. 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 ascertains the credit needs of its assessment area by the bank's directors, officers and staff calling on existing and potential customers, attending meetings and functions, and maintaining communications with an array of business and community organizations.

Organizations contacted included the Chinese Chamber of Commerce of NY, the Taiwan Merchants Association, the New York Chinese Business Association, the Flushing Chinese Business Associations, Asian Americans for Equality and the Council for a Cleaner Chinatown.

##### **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.**

CAB has a business-calling program for both business and consumer customers. Customer service and lending call upon local businesses and consumers to discuss the

bank's products and services.

CAB also markets its products and services through print media and advertisements on local radio. Print media in English, Chinese and Vietnamese used by the bank includes newspapers and monthly journals such as *The World Journal*, *Ming Pao Daily News*, *The China Press*, *the Liberty Times*, *Sing Tao Newspapers*, *Cong Thuong* and *Nguoi Dep Magazine*. The bank also purchases advertising space in commemorative journals of non-profit organizations that provide services to the communities within the bank's assessment area.

Radio advertisements are made over the Sino Radio Broadcasts Corp's station.

CAB holds seminars for various community groups, including senior citizen centers, to help community members understand its products and services. The bank also uses statement stuffers and statement messages to provide information about its financial products and services.

**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.**

The board of directors has appointed a Senior Vice President as the bank's CRA officer. The CRA officer is responsible for monitoring the bank's CRA performance and obtaining the approval of the board for new products that will help meet the community credit needs. The CRA officer also reports to the board about any changes in the laws and regulations regarding CRA.

The board is responsible for reviewing and approving all of the bank's policies and procedures including any CRA related policies and procedures. In addition, the board is aware of any CRA related lending through its involvement in the loan approval process.

The board also reviews the results of CRA evaluations conducted by various regulatory agencies.

**VI. 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.**

As noted above, the bank also made grants totaling \$21.1 thousand in support of World Trade Center-related relief efforts. Donations were made to the following organizations:

1. NYC Police Foundation
2. NYC Fire Safety Foundation
3. World Journal 911 Disaster Fund
4. Taiwan Merchants Association 911

During this evaluation period, the bank made charitable contributions totaling \$7.9 thousand to 14 civic, religious and community organizations.

## 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.