



**NEW YORK STATE BANKING DEPARTMENT**  
**CONSUMER SERVICES DIVISION**  
One State Street  
New York, NY 10004

**PUBLIC SUMMARY**  
OFF-SITE EVALUATION

**COMMUNITY REINVESTMENT ACT**  
**PERFORMANCE EVALUATION**

**Date of Evaluation:** January 1, 2002

**Institution:** First Republic Bank (New York Branch)  
320 Park Avenue  
New York, N.Y. 10022

**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 off-site evaluation of the Community Reinvestment Act (“CRA”) performance of First Republic Bank’s New York branch (“First Republic NY” or “the branch”) 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 January 1, 2002.

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 (“LMI”) 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"**

First Republic NY is rated "2", indicating a satisfactory record of helping to meet community credit needs.

### **Lending Test - "Low Satisfactory"**

- First Republic NY's lending levels reflect satisfactory responsiveness to the credit needs of the assessment area, given that the branch first opened its doors in 1999.
- The branch extended a reasonable percentage of its HMDA-reportable and small business loans in the assessment area. In 2000, 77% of the number and 80% of the dollar volume of loans originated by the branch was in the assessment area. The assessment area concentration declined in 2001 to 59% by number and 68% by dollar volume of total loans.
- The branch's geographic distribution of HMDA-reportable and small business loans reflects adequate penetration throughout the assessment area. While First Republic NY extended only 4.8% of its HMDA loans in LMI tracts in 2000, well below 14.5% for the corresponding aggregate, the branch's LMI penetration rate improved significantly in 2001 to 10.4%. The branch did not extend any of its small business loans in LMI tracts during the evaluation period.
- The distribution of HMDA-reportable and small business loans among borrowers of different income levels and businesses of different sizes is considered good. While First Republic NY extended 4.8% of its HMDA loans to LMI borrowers in 2000, just below 5.6% for the corresponding aggregate, the branch's LMI penetration nearly doubled in 2001 to 8.4%. Additionally, the branch extended one of its two small business loans in 2000 and 67% of its small businesses loans in 2001, to businesses with gross annual revenues of less than \$1 million.
- The branch had a good level of community development loans, totaling \$11.4 million for the evaluation period.
- The branch makes adequate use of innovative and flexible loan programs to serve the credit needs of assessment area.

### **Investment Test - "Low Satisfactory"**

- The branch has an adequate level of qualified investments for the evaluation period. As of December 31, 2001, First Republic NY had \$929 thousand invested in FNMA mortgage-backed securities, supporting affordable housing targeted to LMI individuals

- Additionally, during 2000 and 2001, the branch had a nominal level of qualified grants totaling \$23 thousand, including \$5.7 thousand to a World Trade Center-related relief organization.

**Service Test** - “High Satisfactory”

Overall, First Republic NY has a good record of providing services to its assessment area, given that it is comprised of a single branch location.

- The branch, which is located in midtown Manhattan, offers a reasonable variety of retail banking services. First Republic NY offers extended evening hours and is also open for business on Saturday. One automated teller machine (ATM) located at the branch and four other ATMs located in the assessment area provide customers with additional access to their accounts.
- The branch offers alternative delivery systems such as banking by mail, toll free telephone service and Internet access.
- Branch officers use their financial expertise to provide technical assistance to not-for-profit organizations and enhance the effectiveness of their community development programs.

This off-site 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 in 1997 by the State of Nevada, First Republic Bank is a commercial bank headquartered in Las Vegas, Nevada. The bank's executive offices are located in San Francisco, California. The bank is a publicly traded \$4.2 billion company listed on the New York Stock Exchange and the Pacific Exchange.

In 1999, the bank opened a full-service branch office in midtown Manhattan in New York City. The New York branch is the subject of this evaluation. This branch offers a variety of banking services that include private banking, deposit taking, commercial real estate lending, conventional mortgages, small business lending and other financial services. There is one 24-hour ATM located at the branch and four non-deposit taking ATMs located in the assessment area. One of the ATMs is located in a moderate-income tract.

For the fiscal year ended December 31, 2001, the branch had total assets of \$208 million. According to information furnished by bank management, the branch had total loans of \$202 million and total deposits of \$156 million, resulting in a loan-to-deposit ("LTD") ratio of 129.5%. Based on data available as of June 30, 2001, the branch's market share of deposits in the assessment area is less than one percent.

The following chart shows a breakdown of the branch's loan portfolio as of December 31, 2001 and December 31, 2000 respectively:

| <b>TOTAL LOANS OUTSTANDING</b> |            |       |            |       |
|--------------------------------|------------|-------|------------|-------|
| LOAN TYPE                      | 12/31/2001 |       | 12/31/2000 |       |
|                                | \$000      | %     | \$000      | %     |
| Residential Mortgage Loans     | 127,815    | 62.5  | 121,795    | 69.0  |
| Commercial Mortgage Loans      | 9,468      | 4.6   | 5,062      | 2.9   |
| Multifamily Mortgages          | 8,037      | 3.9   | 8,091      | 4.6   |
| Home Improvement Loans         | 21,430     | 10.5  | 24,283     | 13.8  |
| Construction Loans             | 14,626     | 7.2   | 5,737      | 3.2   |
| Other Loans                    | 23,113     | 11.3  | 11,621     | 6.6   |
| Total Loans                    | 204,489    | 100.0 | 176,589    | 100.0 |

The branch is primarily a residential real estate lender with 63% of its loan portfolio concentrated in real estate loans as of year-end 2001.

This is First Republic NY's first CRA Performance Evaluation by the New York State Banking Department.

*There were neither legal nor financial impediments noted that would adversely impact the bank's ability to meet the credit needs of its community.*

### **Assessment Area:**

The bank's assessment area is New York County (Manhattan) in its entirety.

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

According to the U.S. Census Bureau, New York County had a population of 1.49 million in 1990, increasing by 49.7 thousand (3.3%)<sup>1</sup> to 1.54 million in 2000.

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-income and 43% (131.3 thousand) were upper-income families. There were 716.8 thousand households in the county, of which 16.8% (120.1 thousand) had incomes below the poverty level.

Seventy-six point five percent (99.6 thousand) of the LMI families lived in LMI census tracts, accounting 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 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 thousand) of all housing units were owner-occupied and 75% (588.4 thousand) were renter-occupied. Nine point one percent (71.2 thousand) of units were vacant or boarded up. 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 family income for the MSA was \$37.5 thousand. The estimated median family income for the MSA for 2001 was \$59.1 thousand.

The U.S. Department of Commerce's Bureau of Economic Analysis reported that the largest sources of earnings in 1999 in the county were finance, insurance and real estate (37.3%), services (31.5%) and state and local government (10%). In 1989, the major sources of earning were services (33.6%) finance, insurance and real estate (25.1%) and state and local government (13.7%).

According to a Dun and Bradstreet survey, in 2000 there were 138.7 thousand businesses in

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<sup>1</sup> Please note that while percentage figures are based on exact numbers, absolute numbers pertaining to population and housing characteristics that are listed in the report have been rounded to the nearest decimal point.

New York County, of which 108.7 thousand (78.3%) had revenues of \$1 million or less. Twenty-three point four thousand (16.9%) had revenues of more than \$1 million and 6.7 thousand (4.9%) were businesses on which no revenues were reported. Thirty point eight thousand (22.2%) of the businesses were located in LMI census tracts. Eighty-nine point two percent (123.8 thousand) of all businesses in the county had fewer than 50 employees and 78.6% (109.0 thousand) 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) in finance, insurance and real estate, 10% (13.9 thousand) 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 5.7% in 1999 and 4.9% in 2000. The county's average unemployment rates were above the state's average rates of 5.2% in 1999 and 4.6% in 2000, but were below the MSA's average rates of 6.2% in 1999 and 5.3% in 2000.

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

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 the state and local governments. The program's purpose 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 the branch, and its lending patterns. There is no evidence that LMI areas have been arbitrarily excluded.*

## PERFORMANCE TESTS AND ASSESSMENT FACTORS

This performance evaluation incorporates a review of First Republic's NY's lending, investment, and service activities within its assessment area for calendar years 2000 and 2001. This is the Banking Department's first CRA review of the institution's New York operations.

Statistics utilized in this evaluation came from various sources. In addition to bank-specific loan information, which was submitted by the bank, aggregate data for HMDA-reportable and small business loans were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCI Services, Inc. CRA Wiz®, an external vendor. Demographic data came from the 1990 U.S. Census, with 2001 estimated income figures provided by the United States Department of Housing and Urban Development ("HUD"). Peer comparisons for the bank's HMDA-reportable and small business loans were based upon the 2000 aggregate data. The 2001 aggregate data was not available for purposes of this evaluation.

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

*The bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity; (2) Geographic Distribution; (3) Borrower Characteristics; (4) Community Development Lending; and (5) Innovative or Flexible Lending Practices.*

In the analysis of factors (1), (2), and (3) above, examiners considered the bank's HMDA-reportable and small business loans. In arriving at the component ratings, residential mortgage loans, as the bank's primary product, received greater emphasis.

Overall, the bank's lending performance is considered adequate, based on the following:

### **Lending Activity: "High Satisfactory"**

First Republic's lending activity for the evaluation period was reasonable, given that it first opened its doors in 1999. The following chart provides a summary of the branch's HMDA-reportable lending for 2000 and in 2001, respectively.

| Type of loan  | 2000      |               | 2001      |               |
|---------------|-----------|---------------|-----------|---------------|
|               | #         | \$000         | #         | \$000         |
| Home Purchase | 35        | 32,507        | 35        | 29,528        |
| Refinance     | 12        | 6,601         | 50        | 42,300        |
| Other         | 8         | 8,720         | 3         | 2,805         |
| <b>Totals</b> | <b>55</b> | <b>47,828</b> | <b>88</b> | <b>74,633</b> |

For the two-year assessment period, First Republic NY originated 90 HMDA-reportable loans totaling \$87.4 million and 14 small business loans totaling \$5.8 million, within the assessment

area.

Also noteworthy is the branch's very high LTD ratio, which demonstrates a high propensity to lend. As of December 31, 2001, branch deposits totaled \$156 million and loans totaled \$202 million, resulting in a LTD ratio of 129.5%.

**Assessment Area Concentration: "Low Satisfactory"**

A majority of the branch's loans were extended within the assessment area.

The following chart shows the proportion of the branch's combined HMDA-reportable and small business lending that occurred inside and outside the assessment area:

| Loans Originated inside and Outside Assessment Area |        |     |        |     |        |     |        |     |
|---|--------|-----|--------|-----|--------|-----|--------|-----|
|   | 2000   |     |        |     | 2001   |     |        |     |
|   | Number |     | (000)  |     | Number |     | (000)  |     |
|   | #      | %   | \$     | %   | #      | %   | \$     | %   |
| Inside  | 44     | 77  | 38,617 | 80  | 60     | 59  | 54,576 | 68  |
| Outside   | 13     | 23  | 9,696  | 20  | 41     | 41  | 25,959 | 32  |
| Total   | 57     | 100 | 48,313 | 100 | 101    | 100 | 80,535 | 100 |

Of the total HMDA-reportable and small business loans originated by the branch in 2000, 77% in number and 80% in dollar volume were made within the assessment area. In 2001, of the total loans originated, 59% in number and 68% in dollar volume were made within the assessment area, reflecting a somewhat weakened, but still reasonable assessment area concentration.

**Geographic Distribution of Lending: "Low Satisfactory"**

Overall, the branch's geographic distribution of HMDA-reportable and small business loans reflects adequate dispersion throughout the assessment area.

The following charts show the geographic distribution of HMDA-reportable loans, based on census tract income, as of December 31, 2000 and December 31, 2001, respectively.

| Residential Real Estate Loans - Year 2000 - by Geography Income Level* |               |              |              |              |                         |              |              |              |               |              |
|--|---------------|--------------|--------------|--------------|-------------------------|--------------|--------------|--------------|---------------|--------------|
| Geo  | Total Lending |              |              |              | Assessment Area Lending |              |              |              | Aggregate**   |              |
| Income   | Applics.      |              | Originations |              | Applics.                |              | Originations |              | Originations  |              |
| Level  | #             | %            | #            | %            | #                       | %            | #            | %            | #             | %            |
| Low  | 3             | 3.3          | 2            | 3.6          | 3                       | 4.7          | 2            | 4.8          | 717           | 4.8          |
| Moderate   | 1             | 1.1          | 1            | 1.8          | -                       | 0.0          | -            | 0.0          | 1,460         | 9.7          |
| Middle   | 16            | 17.8         | 9            | 16.4         | 7                       | 10.9         | 4            | 9.5          | 1,101         | 7.4          |
| Upper  | 70            | 77.8         | 43           | 78.2         | 54                      | 84.4         | 36           | 85.7         | 11,671        | 77.9         |
| N/A  | -             | 0.0          | -            | 0.0          | -                       | 0.0          | -            | 0.0          | 28            | 0.2          |
| <b>Total</b>   | <b>90</b>     | <b>100.0</b> | <b>55</b>    | <b>100.0</b> | <b>64</b>               | <b>100.0</b> | <b>42</b>    | <b>100.0</b> | <b>14,977</b> | <b>100.0</b> |

| Residential Real Estate Loans - Year 2001 - by Geography Income Level* |               |              |              |              |                         |              |              |              |   |
|--|---------------|--------------|--------------|--------------|-------------------------|--------------|--------------|--------------|---|
| Geo  | Total Lending |              |              |              | Assessment Area Lending |              |              |              |   |
| Income   | Applics.      |              | Originations |              | Applics.                |              | Originations |              |   |
| Level  | #             | %            | #            | %            | #                       | %            | #            | %            | % |
| Low  | 1             | 0.8          | 1            | 1.1          | 1                       | 1.4          | 1            | 2.1          |   |
| Moderate   | 6             | 4.9          | 5            | 5.7          | 4                       | 5.7          | 4            | 8.3          |   |
| Middle   | 16            | 13.0         | 11           | 12.5         | 4                       | 5.7          | 4            | 8.3          |   |
| Upper  | 100           | 81.3         | 71           | 80.7         | 61                      | 87.1         | 39           | 81.3         |   |
| <b>Total</b>   | <b>123</b>    | <b>100.0</b> | <b>88</b>    | <b>100.0</b> | <b>70</b>               | <b>100.0</b> | <b>48</b>    | <b>100.0</b> |   |

\* Geography income level is based upon 1990 Census data on median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

\*\* The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

In 2000, of the branch's 42 HMDA loan originations totaling \$38 million in the assessment area, two loans (4.8%) were made in LMI census tracts. This is well below the aggregate's 14.5% LMI penetration for the same period. The branch's LMI penetration improved significantly in 2001, when it extended five (10.4%) of its 48 assessment area loans in LMI tracts. Aggregate data for 2001 was not available for purposes of this evaluation.

None of the small business loans originated in the assessment area during 2000 and 2001 were in LMI geographies.

### **Borrower Distribution of Lending: "High Satisfactory"**

The distribution of HMDA-reportable and small business lending reflects good penetration among borrowers of different income levels and businesses of different sizes in the assessment area.

The following charts show the branch's distribution of HMDA-reportable loans by borrower income level as of December 31, 2000 and December 31, 2001, respectively.

| <b>Residential Real Estate Loans - Year 2000 - by Borrower's Income Level*</b> |                      |              |                     |              |                                |              |                     |              |                     |              |
|--|----------------------|--------------|---------------------|--------------|--------------------------------|--------------|---------------------|--------------|---------------------|--------------|
| <b>Borrower</b>  | <b>Total Lending</b> |              |                     |              | <b>Assessment Area Lending</b> |              |                     |              | <b>Aggregate**</b>  |              |
| <b>Income</b>  | <b>Applics.</b>      |              | <b>Originations</b> |              | <b>Applics.</b>                |              | <b>Originations</b> |              | <b>Originations</b> |              |
| <b>Level</b>   | <b>#</b>             | <b>%</b>     | <b>#</b>            | <b>%</b>     | <b>#</b>                       | <b>%</b>     | <b>#</b>            | <b>%</b>     | <b>#</b>            | <b>%</b>     |
| Low  | 2                    | 2.2          | 1                   | 1.8          | 2                              | 3.1          | 1                   | 2.4          | 205                 | 1.4          |
| Moderate   | 1                    | 1.1          | 1                   | 1.8          | 1                              | 1.6          | 1                   | 2.4          | 627                 | 4.2          |
| Middle   | 1                    | 1.1          | -                   | 0.0          | 1                              | 1.6          | -                   | 0.0          | 1,522               | 10.2         |
| Upper  | 66                   | 73.3         | 41                  | 74.5         | 47                             | 73.4         | 30                  | 71.4         | 10,850              | 72.4         |
| N/A  | 20                   | 22.2         | 12                  | 21.8         | 13                             | 20.3         | 10                  | 23.8         | 1,773               | 11.8         |
| <b>Total</b>   | <b>90</b>            | <b>100.0</b> | <b>55</b>           | <b>100.0</b> | <b>64</b>                      | <b>100.0</b> | <b>42</b>           | <b>100.0</b> | <b>14,977</b>       | <b>100.0</b> |

| <b>Residential Real Estate Loans - Year 2001 - by Borrower's Income Level*</b> |                      |              |                     |              |                                |              |                     |              |          |          |
|--|----------------------|--------------|---------------------|--------------|--------------------------------|--------------|---------------------|--------------|----------|----------|
| <b>Borrower</b>  | <b>Total Lending</b> |              |                     |              | <b>Assessment Area Lending</b> |              |                     |              |          |          |
| <b>Income</b>  | <b>Applics.</b>      |              | <b>Originations</b> |              | <b>Applics.</b>                |              | <b>Originations</b> |              |          |          |
| <b>Level</b>   | <b>#</b>             | <b>%</b>     | <b>#</b>            | <b>%</b>     | <b>#</b>                       | <b>%</b>     | <b>#</b>            | <b>%</b>     | <b>#</b> | <b>%</b> |
| Low  | 1                    | 0.8          | 1                   | 1.1          | 1                              | 1.4          | 1                   | 2.1          |          |          |
| Moderate   | 3                    | 2.4          | 3                   | 3.4          | 3                              | 4.3          | 3                   | 6.3          |          |          |
| Middle   | 2                    | 1.6          | 2                   | 2.3          | -                              | 0.0          | -                   | 0.0          |          |          |
| Upper  | 108                  | 87.8         | 78                  | 88.6         | 58                             | 82.9         | 40                  | 83.3         |          |          |
| N/A  | 9                    | 7.3          | 4                   | 4.5          | 8                              | 11.4         | 4                   | 8.3          |          |          |
| <b>Total</b>   | <b>123</b>           | <b>100.0</b> | <b>88</b>           | <b>100.0</b> | <b>70</b>                      | <b>100.0</b> | <b>48</b>           | <b>100.0</b> |          |          |

\* Borrower income level is based upon the Department of Housing and Urban Development's annual estimate of median family income figure for the MSA of the mortgaged property. Low income is defined as <50% of the MSA median, moderate income is 50% to <80%, middle income is 80% to <120%, and upper income is at least 120%.

\*\* The term "Aggregate" refers to loans originated in the bank's assessment area by all HMDA reporting lenders.

In 2000, of the total HMDA-reportable loans originated in the assessment area, the branch extended two loans (4.8%) to LMI borrowers, slightly below the aggregate's 5.6% LMI penetration rate. The branch's LMI penetration rate nearly doubled in 2001, with four (8.4%) of its HMDA loans extended to LMI borrowers. Aggregate data for 2001 was not available for purposes of this evaluation.

Of the two small business loans extended in the assessment area in 2000, one loan totaling \$162 thousand was made to a business with gross annual revenues of less than \$1million. Small business lending penetration improved in 2001, when the branch extended eight of its 12 loans (67%) totaling \$3.9 million to businesses with gross annual revenues of less than \$1 million.

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

First Republic NY had a good level of community development loans, totaling \$11.4 million, for the evaluation period. The following is a summary of the branch’s activity in 2000 and 2001:

*Community Investment Program (CIP)*- The bank is a participant in the Federal Home Loan Bank (FHLB) CIP program. CIP is a special program established by the FHLB to encourage member institutions to make low-income housing revitalization and community development mortgage loans in LMI geographies and to LMI individuals. In 2000, five community development loans totaling \$4.5 million were extended in the assessment area through the CIP program. The loans were made for the renovation of multi-family residential units or in low-income areas.

*Local Initiatives Support Corporation (LISC)*– LISC is a non-profit organization that provides grants, loans and equity investments to community development corporations for neighborhood redevelopment. In 2000, an unsecured loan of \$1 million was extended to LISC for community development in New York, Las Vegas, San Diego and Los Angeles.

*Low Income Housing Fund (LIHF)* – LIHF is a non-profit community development financial institution (CDFI) established to provide capital and technical assistance to low-income communities. In 2001, the branch made a \$500 thousand loan to LIHF. The proceeds of the loan were targeted for the New York and California assessment areas.

*The Enterprise Foundation (EF)*– EF is a national non-profit CDFI established to assist low-income individuals obtain affordable housing. In 2001, the branch made a \$500 thousand loan to EF.

*Greenpoint Venture Group, LLC (GVG)*– In 2001, through the CIP program, the branch made a \$1 million loan to GVG to refinance a 3-story office building. This loan was extended in a county adjacent to the assessment area.

*September 11, World Trade Center Disaster (9/11)* – In 2001, in order to support the rebuilding of lower Manhattan in the aftermath of the of 9/11 terror attack, the branch funded four loans totaling \$3.9 million to borrowers located within the proximity of ground zero.

## **Innovative or Flexible Loan Products: “Low Satisfactory”**

The branch makes adequate use of innovative and/or flexible loan products to address the credit needs of its assessment area. These products are available through the bank’s participation in various affordable lending programs.

The bank is a participating lender in the Federal National Mortgage Association’s (FNMA) Community Home Buyers Program, a program that enables first-time homebuyers to purchase a home with substantially lower down payments and income requirements. The bank also

offers a no closing cost home mortgage program that is specifically targeted to LMI areas.

## **II. Investment Test: “Low Satisfactory”**

*The Investment Test evaluates the bank's record of helping to meet the needs of its assessment area through qualified investments. Qualified investments are evaluated based on their dollar volume, their innovation or complexity, their responsiveness to community development needs, and the degree to which the investments are not routinely provided by private investors.*

The branch has an adequate level of qualified investments for the evaluation period. As of December 31, 2001, First Republic NY had \$929 thousand invested in FNMA mortgage-backed securities, supporting affordable housing targeted to LMI individuals.

Additionally, in 2000 and 2001, the branch made grants totaling \$17.3 thousand to the following non-profit community organizations: Boys Club of New York, a community based not-for-profit organization that provides community programs targeted to low-income children; Habitat for Humanity New York, a not-for-profit organization that provides affordable homes for LMI individuals; Rockland Family Shelter, a not-for-profit organization that provides for the homeless and low-income families; Seedco, an organization that provides technical and financial assistance to low-income communities and Washington Heights/Inwood Development Company, a non-profit organization that provides assistance in the economic development of LMI communities.

Additionally, the branch extended \$5.7 thousand to the WTC 9/11 Disaster Relief Fund for the New York Fire Department targeted for LMI individuals who suffered loss in the World Trade Center attack.

## **III. Service Test: “High Satisfactory”**

*The Service Test evaluates a banking institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a banking institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.*

Overall, First Republic NY has a good record of providing services to its assessment area, given that it is comprised of a single branch location.

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

The branch offers a variety of retail banking services that includes Basic Banking accounts, deposit taking, commercial real estate loans, conventional mortgage loans, small business loans and other financial services.

The branch offers a “Senior Advantage” account for individuals 55 years and older. The account has no minimum balance requirement and no monthly service charge.

The branch offers extended evening hours and is also open for business on Saturday. The branch’s operating hours are Monday through Friday 9:00 a.m. to 5:00 p.m., and Saturday 10:00 a.m. to 1:00 p.m. A 24-hour ATM at the branch location allows customers to make deposits, withdraw cash or transfer funds.

Supplementing services offered at the branch office are four non-deposit taking ATMs located in the assessment area. One of these ATMs is located in a moderate-income area. The bank’s ATM cards may also be used at participating nationwide networks with no charge by the bank.

The branch has a toll-free Call Center, which is available in six different languages, seven days a week from 6:00 a.m. to 6:00 p.m. The Call Center allows customers to obtain information on their accounts and transact other banking business. The services are provided free of charge.

Through the “First Republic Banking Online” Internet banking system, a customer can obtain account information, pay bills, open a checking account, and apply for a credit card or a loan. There are no fees for this service.

Bank-by-mail service is available. Customers are provided with postage-paid envelopes for use with this service.

### **Community Development Services: “High Satisfactory”**

Several branch officers use their financial expertise to help build the capacity of local not-for-profits organizations and the effectiveness of community development initiatives.

The managing director of lending participates on the investment and finance committees of the Little Sisters of the Assumption Family Health Services, Inc. (LSA). LSA is a not-for-profit organization that provides home health care to low-income families in East Harlem. In addition, the branch provides its facilities to host LSA finance committee meetings.

A trust officer is the chairperson of the Community Home Purchase Process Initiative (CHPPI). CHPPI is a not-for-profit organization that provides first-time homebuyer programs to assist local communities, especially LMI areas, with obtaining affordable housing.

The bank established a disaster relief fund through which the bank’s clients could make contributions nationwide to the United Way September 11<sup>th</sup> Fund. The bank then matched contributed up to \$5 thousand. Additionally, the branch collected donations for the 9/11 WTC Disaster Relief Fund for the New York Fire Department and matched the amounts collected.

#### **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.**

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

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

This factor was not assessed during this off-site evaluation.

#### **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.**

In order to develop and adjust the branch's products according to community credit needs, branch managers and lending officers maintain a working relationship with both the business and residential communities in the assessment area. Ongoing business relationships with community organizations also keep branch officers apprised of credit and other banking needs in the assessment area.

**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 branch primarily markets its products and services through local media, and through branch employees' personal involvement and contacts within the community.

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

The bank's CRA/Fair Lending committee meets periodically to discuss the status of the CRA program and the effectiveness of various products and services targeted for the assessment areas. Through the CRA officer, the committee recommends program changes to the board for consideration. The board, in turn, may determine whether changes should be made to the strategic plan.

**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.**

None noted.

## 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.

### **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 nonmetropolitan 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 nonmetropolitan 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 nonmetropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by HUD.

### **LMI Penetration Rate**

A number that depicts the percentage of a bank's total loans extended to LMI geographies or borrowers. For example, an LMI penetration rate of 20% would indicate that the bank made 20 out of a total of 100 loans to LMI geographies or borrowers.

### **Small Business Loans**

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