



**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, 2002

Institution: Mitsubishi Trust and Banking Corporation (U.S.A)
520 Madison Avenue, 39th Floor
New York, NY 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 evaluation of the Community Reinvestment Act (“CRA”) performance of Mitsubishi Trust and Banking Corporation (U.S.A) (“the Bank”) 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, 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 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

Mitsubishi Trust and Banking Corporation (U.S.A.) is rated "2", indicating a satisfactory record of helping to meet community credit needs, notwithstanding (1) marginally satisfactory performance in the bank's level of community development lending and qualified investments, and (2) the absence of any ratable community development services. The bank is advised to increase its community development lending, investment and service activities in order to retain a satisfactory rating going forward.

- For this evaluation period, the bank exhibited an adequate responsiveness to the credit and community development needs of its assessment area. As of December 31, 2002, the bank's community development loans and qualified investments totaled \$ 2.2 million, of which \$672 thousand is considered new money.
- During this evaluation, the bank's qualified investments totaled \$472 thousand, including \$50 thousand in grants to various community development organizations.

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

PERFORMANCE CONTEXT

Institution's Profile:

Chartered in 1986, Mitsubishi Trust and Banking Corporation (U.S.A.) is a single office, wholesale commercial bank, wholly owned by The Mitsubishi Trust and Banking Corporation, Tokyo, Japan (the "Parent Bank").

On December 31, 2002, the bank reported total assets of \$605.9 million, including \$2.9 million (0.5%) in total loans. The bank's total assets increased almost 50% from the \$404.7 million reported at the prior examination as of September 30, 2000. Total deposits as of December 31, 2002 were \$463 million, of which \$12.2 million (2.6%) were domestic deposits.

The bank engages primarily in providing custody and fiduciary services to institutional and large corporate customers. The bank is not in the business of originating or purchasing residential mortgage, housing rehabilitation, home improvement, small business or small farm loans to retail customers. Accordingly, in May 1997, the FDIC granted the bank designation as a wholesale institution for purposes of its evaluation under the CRA.

Assessment Area:

The bank's assessment area consists of the five counties (Bronx, New York, Kings, Queens and Richmond) of New York City, which are part of Primary Metropolitan Statistical Area ("PMSA") 5600. Excluding 66 zero-income tracts, there are 2150 census tracts of which 314 (14.6%) are low-, 419 (19.5%) are moderate-, 779 (36.2%) are middle-, and 638 (29.7%) are upper-income within the assessment area.

According to the 1990 U.S Census, the population in the assessment area was approximately 7.3 million. There are 2.8 million households, of which 975.7 thousand (34.6%) were located within LMI tracts and 501 thousand (17.8%) had income below the poverty level. Thirteen percent of the households in the assessment area received public assistance.

There are almost three million housing units in the assessment area, of which 27% are owner-occupied, 67.2% are rentals units, 35.8% are 1-4 family units, and 5.7% are vacant/boarded up. The median home value was \$186.4 thousand.

Based on estimates by HUD, the median family income for MSA 5600 increased to \$62.8 thousand in 2002 from \$37.5 thousand reported for the 1990 census.

According to the New York Department of Labor, the average unemployment rate for New York City was 7.9% in 2002 and 6.0 % in 2001, compared with 6.1% for New York State in 2002 and 4.9 % in 2001.

The bank's assessment area appears reasonable based upon the bank's location and its designation as a wholesale institution. There is no evidence that the bank arbitrarily excluded LMI areas.

PERFORMANCE TEST AND ASSESSMENT FACTORS

I. Community Development Test

The bank's level of community development lending and qualified investments is adequate relative to the bank's asset size and financial condition. As of December 31, 2002, the bank's assessment area-based community development loans and qualified investments totaled \$2.2 million, of which \$672 thousand (31.2%) represented new commitments. For the purpose of this evaluation, new commitments are those originated from October 1, 2000 through December 31, 2002. The bank's volume of community development activity decreased by \$1.3 million, or 38.3%, while total assets increased 49.7% to \$605.9 million.

The majority (68.8%) of the bank's community development loans and investments supported affordable housing projects, while 28.9% supported economic development and 2.3% supported community services.

The bank participates in community development initiatives primarily by working with intermediaries that serve its assessment area. The bank's community development portfolio of loans and investments within its assessment area comprises the following:

| Community Development loans and Qualified Investments as of December 31, 2002 | | | | | |
|--|------------------------------|--|-------------------|----------------------------------|-------------------|
| Type | Number of Commitments | Commitment Amount (in millions) | Percentage | Outstanding (in millions) | Percentage |
| Affordable Housing | 2 | 1.481 | 68.8 | .701 | 87.0 |
| Community Service | 32 | .050 | 2.3 | 0 | 0.0 |
| Economic Development | 5 | .622 | 28.9 | .105 | 13.0 |
| Total | 39 | 2.153 | 100 | .806 | 100 |

The following chart shows new commitments, by community development category and amounts outstanding:

| New Commitments and Outstanding Amounts | | | | | |
|--|------------------------------|--|-------------------|----------------------------------|-------------------|
| Type | Number of Commitments | Commitment Amount (in millions) | Percentage | Outstanding (in millions) | Percentage |
| Affordable Housing | 0 | 0 | 0.0 | 0 | 0.0 |
| Community Service | 32 | .050 | 7.4 | 0 | 0.0 |
| Economic Development | 5 | .622 | 92.6 | .195 | 100 |
| Total | 37 | .672 | 100 | .195 | 100 |

A more detailed description of the bank's community development activity follows:

- **Community Development Lending**

During the evaluation period, the bank had three community development loans totaling \$1.7 million, with \$710.4 thousand outstanding as of December 31, 2002. Two of these commitments supported affordable housing and one supported economic development.

Global Resources for Affordable Neighborhood Development IV (Grand IV) - In 1999, the bank extended a \$2 million line of credit to Grand IV, with \$471 thousand outstanding as of the evaluation date. As of December 31, 2002, the commitment amount was almost \$1.3 million.

This facility provides up to 49% financing of participation in construction loans originated by New York City retail banks for new homes built under the New York City Housing Partnership Program for LMI homebuyers. This program combines the financing capabilities of wholesale, foreign-owned banks, with the originating capabilities of retail banks, the housing development capabilities of the Partnership, the availability of mortgage insurance from the State of New York Mortgage Agency, and public subsidies from New York State and New York City.

Neighborhood Housing Services of New York (NHS) - In 1991, the bank extended a \$250 thousand revolving line of credit to NHS, which provides affordable housing loans to low-income borrowers. As of December 31, 2002, the commitment amount was \$231 thousand, with the entire amount outstanding as of the evaluation date.

New York Business Development Corporation (NYBDC) - In 2002, the bank renewed the \$100 thousand line of credit it extended to NYBDC in 2001, with about \$10 thousand outstanding as of the evaluation date. NYBDC is a privately owned entity created by New York State statute to provide a broad range of financing to small businesses throughout New York State.

- **Qualified Investments**

During this evaluation, the bank's qualified investments totaled \$472 thousand, including \$50 thousand in grants to various community development organizations.

Following is a brief description of the bank's qualified investments:

Community Capital Bank (CCB)- In 2001, the bank opened a one-year, \$95 thousand certificate of deposit with CCB, a financial institution that provides community development loans for low- and moderate-income neighborhoods in New York City. In 2002, the bank renewed the certificate of deposit for one year. The entire amount was outstanding as of the evaluation date.

- **Community Development Services**

Management indicated that as a small wholesale bank, with approximately 50 employees, it does not have the resources or the personnel to provide community development services to the local community.

II. 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 report conducted concurrently with this assessment indicates a satisfactory performance in terms of adherence to anti-discrimination or other applicable laws and regulations. No evidence of prohibited discriminatory or other illegal credit practices was noted.

III. Other 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 community through its contacts with financial intermediaries, charitable organizations and community development groups.

The bank also participates in meetings and seminars organized by various community groups and other banks. Such contacts have given the bank the opportunity to provide grants and technical support to various community groups.

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.

As a wholesale bank, Mitsubishi does not advertise its credit services to the public.

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 maintains a board-approved CRA statement. The president and the executive vice president are actively involved in the management and execution of the bank's CRA activities. The bank has a Community Services Committee, comprised of the president, executive vice president, the bank's general counsel and the CRA Officer. The committee reviews, supervises and approves the bank's CRA program and activities.

The Community Services Committee meets quarterly and provides the Board with quarterly reports on the bank's CRA activities.

Other factors that in the judgment 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

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.

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 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 the U.S. Department of Housing and Urban Development (“HUD”).

Wholesale Institution

The term “wholesale institution” means a banking institution that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale banking institution by the appropriate Federal regulatory authority is in effect. When evaluating a wholesale institution’s CRA performance, the Banking Department looks primarily at its record of helping to meet the credit needs of its assessment are through community development lending, qualified investments and community development services.