



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

PUBLIC SUMMARY

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Date of Evaluation: January 1, 2004

Institution: First Republic Bank
111 Pine Street
San Francisco, CA 94111

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 First Republic Bank's New York branch operations 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, 2004.

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 an institution's 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 ("evaluation") be made available to the public. Evaluations are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13 of the regulation. These 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

First Republic Bank's operations in New York State are rated "2", indicating a satisfactory record of helping to meet community credit needs.

Lending Test: "Low Satisfactory"

- **Lending Activity:** First Republic Bank ("FRB") has achieved a level of lending that reflects adequate responsiveness to community credit needs.

In 2002, FRB ranked 28th out of 323 HMDA-reporting institutions within the assessment area based on a market share of 0.5% by number of loans and 0.9% by dollar volume.

For small business loans, FRB ranked 36th out of 210 lenders based on a market share of 0.03% by number of loans and 0.3% by dollar volume.

- **Assessment Area Concentration:** An adequate percentage of FRB's lending in New York State fell within the bank's delineated assessment area.

Considering the bank's HMDA and small business loans together, FRB originated 59.2% of its total number, and 58.4% of its total dollar volume, of loans within its assessment area.

- **Geographic Distribution of Lending:** The geographic distribution of the FRB's lending reflects adequate dispersion throughout the assessment area; however, the bank's overall LMI penetration rate has declined since the prior evaluation.
 - HMDA-Reportable Lending - In 2002, FRB originated 5.9% by number, and 5.2% by dollar volume, of its HMDA-reportable loans in LMI areas. These LMI penetration rates are lower than the market aggregate's rates of 9.8% and 10.9%, respectively. During 2003, FRB's LMI penetration rate continued to decline, falling to 4.5% based on number of loans and 2.9% based on dollar volume. Aggregate data from 2003 were not available when this report was written.
 - Small Business Lending - In 2002, FRB originated 25.0% of its small business loans in LMI areas, which was slightly above the aggregate's penetration rate of 20.2%. FRB did not originate any small business loans in LMI areas during 2003.

- **Borrower Characteristics**

Within its assessment area, FRB achieved an adequate distribution of loans to individuals of different income levels and businesses of different revenue sizes.

In 2002, FRB granted two HMDA-reportable loans (1.5%) to moderate-income borrowers, which is below the aggregate's penetration rate of 3.6%. In 2003, the bank originated another two loans to LMI borrowers, but its LMI penetration rate dropped to 1.3% due to an increase in its total HMDA-reportable lending.

In 2002, FRB extended 60.0% of its small business loans to businesses with gross annual revenues of \$1 million or less. This level of performance is well above that of the market aggregate (35.8%). During 2003, the bank's LMI penetration rate among businesses with revenues of \$1 million or less fell to 38.5%. As mentioned previously, aggregate data for 2003 were not available when this report was prepared.

- **Community Development Lending**

Given the scope of its operations here, FRB's community development lending in New York State reflects a relatively high level of responsiveness to the credit needs of its community.

The bank's community development loans increased significantly from \$11.4 million during the previous evaluation period to \$30.1 million during the current period.

Investment Test: "High Satisfactory"

- FRB's branches in New York State have generated a significant level of qualified community development investments and grants. During the evaluation period, the bank's qualified investments totaled \$2.6 million and 100% of that amount was new money. Qualified grants totaled \$72 thousand.

FRB occasionally took a leadership position within its assessment area by funding investments that are not routinely supported by private investors.

Service Test: "High Satisfactory"

FRB's retail banking systems are accessible to essentially all portions of its assessment area.

- FRB offers a no-fee checking account to promote affordable banking and bank-by-mail services to enhance the bank's accessibility.

- FRB's managers and staff provide community development services that indirectly benefit LMI geographies and individuals by providing financial expertise to non-profit organizations, schools and governmental agencies.

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:

First Republic Bank was chartered by the State of Nevada in 1997. The bank was formed from the consolidation of various affiliates of its former parent company, First Republic Bancorp, Incorporated. During 1996 and 1997, First Republic Savings Bank, First Republic Thrift & Loan, and First Republic Bancorp combined to form what is now known as First Republic Bank. Prior to their consolidation, each of FRB's legacy institutions operated as limited-service banks.

In August 1998, the bank acquired Fidelity Management Trust Company of New York, a limited-purpose trust company based in Manhattan. This merger gave FRB a presence in New York State, albeit through a non-retail branch. In October 1999, FRB relocated its sole branch in New York State and launched its retail deposit-taking and lending activities. Later, in October 2002, the bank opened a second retail branch in Midtown.

FRB's two brick-and-mortar branches in Manhattan are supplemented by a small network of automated teller machines ("ATMs"). This network includes an ATM at each branch and 11 non-deposit-taking ATMs elsewhere within the assessment area.

Currently, the bank offers a variety of wealth management and private banking services, including deposit, trust and investment advisory services. The bank also originates residential and commercial mortgages.

On its year-end Call Report for 2003, FRB reported total assets of \$6.0 billion, including \$4.9 billion in net loans and leases. The bank also listed total deposit liabilities of \$4.6 billion, resulting in a loan-to-deposit ("LTD") ratio of 107%.

According to management, the bank's operations in New York State account for approximately \$554 million in loans and \$886 million in deposits, resulting in an LTD ratio of 62.5% within the bank's local assessment area.

Nearly 70% of FRB's lending in New York State is attributable to residential real estate loans, while consumer loans account for another 23.6% of the bank's lending. In contrast, commercial and industrial lending represents only 6.6% of the bank's loan portfolio in New York State.

According to the FDIC's latest comparative "Deposit Market Share Report," dated June 30, 2003, FRB's branches in New York held a market share of 0.17%, placing the bank 29th among 93 deposit-taking institutions in New York County.¹

The table below summarizes FRB's loan portfolio based on Schedule RC-C of the bank's year-end Call Reports for 2002 and 2003.

¹ Detailed deposit data are collected annually as of June 30. The most recent report reflects banks' deposits as of June 30, 2003.

GROSS LOANS OUTSTANDING				
Loan Type	12/31/2002		12/31/2003	
	\$000	%	\$000	%
Residential Mortgage	205,039	64.7	364,922	65.9
Commercial Mortgage	8,136	2.6	22,862	4.1
Multifamily Mortgage	13,001	4.1	21,463	3.9
Construction	19,910	6.3	13,821	2.5
Consumer	70,640	22.3	130,495	23.6
Gross Loans	316,726	100.0	553,563	100.0

FRB participates in loan programs that are guaranteed or sponsored by the following agencies: the U.S. Small Business Administration (“SBA”); the State of New York Mortgage Agency (“SONYMA”); the U.S. Veterans Administration (“VA”) and Fannie Mae. The bank did not originate any loans in New York State under these agencies’ programs during the evaluation period.

At its previous Performance Evaluation, conducted by the New York State Banking Department as of January 1, 2002, the bank received a rating of “2,” reflecting a “Satisfactory” record of helping to meet community credit needs.

There are no known legal or financial impediments affecting the bank’s ability to meet the credit needs of its assessment area.

Assessment Area:

During calendar year 2002, data from the 2000 Census were not available. As a result, banks were required to report and evaluate their CRA performance based on demographic benchmarks established during the 1990 Census. In 2003, data from the 2000 Census became available and demographic performance benchmarks were updated accordingly. Due to these changes during the evaluation period, statistics from both Censuses are provided in this report.

FRB’s assessment area is limited to New York County, also known as Manhattan. As of the 1990 Census, Manhattan contained 298 census tracts, including 128 (43.0%) LMI census tracts. As of 2003, the assessment area contained 296 census tracts, including 115 (38.9%) LMI census tracts. Please refer to the table below for a breakdown of the assessment area’s census tracts by geographic income level.

Distribution of Assessment Area Census Tracts by Geographic Income Level							
Census Year	Zero	Low	Moderate	Middle	Upper	Total	LMI %
1990	11	63	65	33	126	298	43.0
2000	9	47	68	26	146	296	38.9
Difference	-2	-16	3	-7	20	-2	-4.1

Population and Housing Demographics

The demographic information for the assessment area is based on the 1990 Census for calendar year 2002 and the 2000 Census for calendar year 2003.

According to the 2000 US Census, New York County had a population of 1,537 thousand, an increase of 3.4% from the 1990 Census data. There were 187 thousand persons over 65 years of age, compared to 198 thousand reported at the prior census. Overall, there was a slight decrease by 5.5% in the over 65 segment of the population and a 9.7% increase in the minority population.

Housing units within the assessment area increased by 1.7% to 798.1 thousand, of which 28.2 thousand (4.0%) were 1-4 family units and 769.4 thousand (96.0%) were multi-family units. The majority of owner-occupied units increased by 16.4% to 148.7 thousand while rental units declined by 0.3% to 590.0 thousand. The number of vacant units, which accounted for 7% of total housing, declined 13.4% to 59.5 thousand units. The median housing value increased 62.5% to \$345 thousand.

Business Demographics

The 2003 business geo-demographic data reported 221.1 thousand businesses within the assessment area, of which 131.1 thousand (59.3%) had revenues of \$1 million or less. In 2002, there were 211.0 thousand businesses, of which 136.7 thousand (64.8%) had revenues of \$1 million or less.

The major industries in the assessment area were:

- Services industry: 92.1 thousand businesses (41.7% of total)
- Retail trade: 33.4 thousand businesses (15.1% of total)
- Finance, Insurance and Real Estate: 24.6 thousand businesses (11.1% of total).

FRB's assessment area appears reasonable based upon the bank's lending patterns and the location of its branches. There is no evidence that LMI areas have been arbitrarily excluded from the assessment area.

PERFORMANCE TESTS AND ASSESSMENT FACTORS

The Banking Department assesses a large bank's CRA performance by evaluating its lending, investment and service activities using the Lending, Investment and Service Tests provided for in Parts 76.8, 76.9 and 76.10 of the General Regulations of the Banking Board.

This performance evaluation incorporates a review of First Republic Bank's lending, investment and service activities within its New York State assessment area during calendar years 2002 and 2003. Loan products considered during the evaluation include HMDA-reportable and small business loans. For purposes of this evaluation, HMDA-reportable loans were given more weight because they constitute 89.8% of the portfolio by number and 95.0% by dollar volume.

Statistics cited in this evaluation were derived from various sources. In addition to loan information submitted by First Republic Bank, aggregate data for HMDA-reportable and small business loans originated during 2002 were obtained from the Federal Financial Institutions Examination Council ("FFIEC") and PCi Corporation's CRA Wiz[®] software. Demographic data were obtained from the 1990 and 2000 U.S. Censuses. Updated median income figures were obtained from the U.S. Department of Housing and Urban Development ("HUD"). When this evaluation was prepared, aggregate data for 2003 were not available.

I. Lending Test: "Low Satisfactory"

First Republic Bank's lending performance was evaluated based on the following criteria: (1) Lending Activity; (2) Assessment Area Lending; (3) Geographic Distribution of Lending; (4) Distribution of Lending based on Borrower Characteristics; (5) Community Development Lending and (6) Innovative and/or Flexible Lending Practices.

As described below, FRB's lending performance within its New York State assessment area is adequate.

Lending Activity: "High Satisfactory"

The bank's lending activity in New York State reflects good responsiveness to the credit needs of the local assessment area.

Lending within Assessment Area in New York State				
Loan Type	2002		2003	
	#	\$000	#	\$000
Home Purchase	65	32,507	78	29,528
Refinance	100	6,601	119	42,300
Other	4	8,720	13	2,805
Total	169	47,828	210	74,633

HMDA-Reportable Loans

During the evaluation period, FRB originated 291 HMDA-reportable loans within its assessment area, for a total of \$254 million. This is more than triple the number of loans reported during the prior evaluation period (i.e., 90 loans).

In 2002, FRB achieved a market share of 0.5% based on number of loans and 0.9% based on dollar volume. The level of lending ranked FRB 28th out of 323 HMDA-reporting institutions within its assessment area.

Small Business Loans

During the evaluation period, FRB originated 33 small business loans, totaling \$13.3 million, within its assessment area. This volume of lending is more than double that of the previous evaluation period, when FRB originated 14 loans totaling \$5.8 million.

In 2002, FRB ranked 36th out of 210 small business lenders in its assessment area. This ranking was based on the bank's market share of 0.03% by number of loans and 0.3% by dollar volume of loans.

Assessment Area Concentration: "Low Satisfactory"

FRB's overall level of lending within its New York State assessment area is adequate.

During the evaluation period, FRB originated 59.2% by number and 58.4% by dollar volume of its HMDA-reportable and small business loans within the assessment area. Although the bank's loan volume increased significantly between evaluation periods, the concentration of loans originated within the assessment area declined based on number as well as dollar amount.

The following chart shows a distribution of the bank's loans inside and outside the assessment area during the current evaluation period:

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollar Volume (In Thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
HMDA										
2002	137	58.3	98	41.7	235	114,551	57.7	83,822	42.3	198,373
2003	154	56.8	117	43.2	271	139,601	57.2	104,461	42.8	244,062
<i>Subtotal: HMDA</i>	<i>291</i>	<i>57.5</i>	<i>215</i>	<i>42.5</i>	<i>506</i>	<i>254,152</i>	<i>57.4</i>	<i>188,283</i>	<i>42.6</i>	<i>442,435</i>
Small Business										
2002	20	87.0	3	13.0	23	7,567	91.8	675	8.2	8,242
2003	13	72.2	5	27.8	18	5,685	75.0	1,900	25.0	7,585
<i>Subtotal: SB</i>	<i>33</i>	<i>80.5</i>	<i>8</i>	<i>19.5</i>	<i>41</i>	<i>13,252</i>	<i>83.7</i>	<i>2,575</i>	<i>16.3</i>	<i>15,827</i>
Total	324	59.2	223	40.8	547	267,404	58.4	190,858	41.6	458,262

HMDA Loans

FRB originated an adequate percentage of HMDA-reportable loans within the assessment area. Assessment area originations accounted for 58.0% by number and 57.0% by dollar volume of the bank's HMDA-reportable loans.

Small Business Loans

FRB originated a high percentage of its small business loans within the assessment area. During the evaluation period, the bank originated 81.0% by number and 84.0% by dollar volume of its loans within the assessment area. These ratios reflect an increase since the previous evaluation period.

Geographic Distribution of Lending: "Low Satisfactory"

The geographic distribution of FRB's loans reflects adequate dispersion throughout the assessment area.

HMDA Loans

The bank's LMI penetration rates have declined since the previous evaluation period and are significantly below that of the aggregate.

In 2002, FRB originated eight loans, totaling \$5.9 million, in LMI areas. This level of LMI-area lending resulted in LMI penetration rates of 5.9% by number of loans and 5.2% by dollar volume, compared to 9.8% and 10.4%, respectively, for the aggregate.

During 2003, the bank's penetration rates declined even further, to 4.5% by number of loans and 2.9% by dollar volume. As mentioned previously, aggregate data from 2003 were not available for comparison when this report was written.

The following table shows the geographic distribution of FRB's HMDA-reportable loans within its assessment area:

Distribution of HMDA Reportable Loans By Geographic Income Level								
Geographic Income Level	2002							
	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	2	1.5	1,020	0.9	952	3.4	449,901	3.5
Moderate	6	4.4	4,913	4.3	1,778	6.4	957,218	7.5
Middle	2	1.5	1,675	1.5	2,136	7.7	1,030,307	8.0
Upper	127	92.7	106,943	93.4	22,764	82.2	10,387,131	80.9
N/A	0	0.0	0	0.0	48	0.2	18,887	0.1
Total	137	100.0	114,551	100.0	27,678	100.0	12,843,444	100.0
Geographic Income Level	2003							
	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	1	0.6%	800	0.6%	NA	NA	NA	NA
Moderate	6	3.9%	3,187	2.3%	NA	NA	NA	NA
Middle	4	2.6%	4,030	2.9%	NA	NA	NA	NA
Upper	131	85.1%	117,277	84.0%	NA	NA	NA	NA
N/A	12	7.8%	14,307	10.2%	NA	NA	NA	NA
Total	154	100.0%	139,601	100.0%	NA	NA	NA	NA

Small Business Loans

During 2002, FRB did not originate any small business loans in low-income tracts but originated five such loans, totaling \$1.5 million, in moderate-income tracts within the assessment area. Based on this level of lending, the bank's LMI penetration rates were 25.0% based on number of loans and 20.0% based on dollar volume. By comparison, the market aggregate's LMI penetration ratios were 20.2% and 18.0%, respectively.

During 2003, FRB did not originate any small business loans in LMI census tracts.

The following table shows the geographic distribution of FRB's small business loans:

Distribution of Small Business Loans by Geographic Income Level								
Geographic Income Level	2002							
	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0%	0	0.0%	3,620	4.9%	88,684	3.6%
Moderate	5	25.0%	1,515	20.0%	11,256	15.3%	349,563	14.4%
Middle	0	0.0%	0	0.0%	7,221	9.8%	245,324	10.1%
Upper	15	75.0%	6,052	80.0%	48,824	66.4%	1,646,468	67.7%
N/A	0	0.0%	0	0.0%	2,560	3.5%	102,478	4.2%
Total	20	100.0%	7,567	100.0%	73,481	96.5%	2,432,517	95.8%
Geographic Income Level	2003							
	Bank				Aggregate			
	#	%	\$000's	%	#	%	\$000's	%
Low	0	0.0%	0	0.0%	NA	NA	NA	NA
Moderate	0	0.0%	0	0.0%	NA	NA	NA	NA
Middle	1	7.7%	500	8.8%	NA	NA	NA	NA
Upper	12	92.3%	5,185	91.2%	NA	NA	NA	NA
N/A	0		0	0.0%	NA	NA	NA	NA
Total	13	100.0%	5,685	100.0%	NA	NA	NA	NA

Borrower Characteristics: “Low Satisfactory”

The distribution of FRB’s HMDA-reportable and small business loans reflects an adequate dispersion among borrowers of different income levels and businesses of different revenue sizes.

The following table shows the distribution of FRB’s HMDA-reportable loans by borrower income level during the evaluation period:

Distribution of HMDA Reportable Loans By Borrower Income Level								
Borrower Income Level	2002							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	0	0.0	0	0.0	165	0.6	14,427	0.1
Moderate	2	1.5	763	0.7	987	3.6	115,091	0.9
Middle	2	1.5	475	0.4	2,563	9.3	391,109	3.0
Upper	123	89.8	105,030	91.7	21,434	77.4	9,145,318	71.2
N/A	10	7.3	8,283	7.2	2,529	9.1	3,177,499	24.7
Total	137	100.0	114,551	100.0	27,678	100.0	12,843,444	100.0
Borrower Income Level	2003							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
Low	1	0.6	50	0.0	NA	NA	NA	NA
Moderate	1	0.6	195	0.1	NA	NA	NA	NA
Middle	2	1.3	295	0.2	NA	NA	NA	NA
Upper	135	87.7	125,210	89.7	NA	NA	NA	NA
N/A	15	9.7	13,851	9.9	NA	NA	NA	NA
Total	154	100.0	139,601	100.0	NA	NA	NA	NA

HMDA Loans

Since the prior evaluation period, FRB's lending to LMI borrowers has declined significantly as a percentage of its total HMDA-reportable lending. During the final year of the prior evaluation period (i.e., 2001), FRB granted four loans to LMI borrowers, resulting in an LMI penetration rate of 8.4%. The following year, FRB did not originate any loans to low-income borrowers and only originated two loans (1.5%) totaling \$763 thousand to moderate-income borrowers. This performance is significantly below the market aggregate's LMI penetration ratio of 4.2% based on number of loans.

During 2003, the bank originated one loan to a low-income borrower and one loan to a moderate-income borrower, resulting in an LMI penetration ratio of 1.3%.

Small Business Loans

The bank's 2002 small business lending penetration rates of 60% by number of loans and 35.4% by dollar volume were lower than its 2001 penetration rates of 67% and 73.9%, respectively.

In 2002, FRB originated 12 (60%) loans totaling \$2.7 million (35.4%) to businesses with annual gross revenue of \$1 million or less. By comparison, the aggregate's penetration rates for that year were 35.8% by number of loans and 33.7% by dollar volume.

During 2003, the bank's LMI penetration rate declined to 38.5% by number of loans and 31.6% by dollar volume.

Distribution of Small Business Loans by Business Revenue Size								
Revenue Size	2002							
	Bank				Aggregate			
	#	%	\$000	%	#	%	\$000	%
\$1 million or less	12	60.0	2,677	35.4	26,288	35.8	820,800	33.7
Over \$1 million	6	30.0	3,640	48.1	NA	0.0	NA	0.0
No Revenue Info.	2	10.0	1,250	16.5	NA	0.0	NA	0.0
Total	20	100.0	7,567	100.0	73,481	100.0	2,432,517	100.0
Revenue Size	2003							
	Bank				Aggregate			
	#	%	\$000	%	NA	NA	NA	NA
\$1 million or less	5	38.5	1,798	31.6	NA	NA	NA	NA
Over \$1 million	8	61.5	3,887	68.4	NA	NA	NA	NA
No Revenue Info.	0	0.0	0	0.0	NA	NA	NA	NA
Total	13	100.0	5,685	100.0	NA	NA	NA	NA

Community Development Lending: "High Satisfactory"

FRB originated a significant volume of community development loans within its assessment area. Since the prior evaluation period, the bank's level of community development lending has increased from \$11.4 million to \$30.1 million.

Examples of the bank's community development loans are provided below:

- *Community Preservation Corporation ("CPC")*: CPC is a non-profit mortgage lender in New York City that serves the needs of LMI neighborhoods and individuals. In 2003, the bank extended two revolving lines of credit to CPC for a total of \$4 million.
- *Low Income Investment Fund ("LIIF")*: The Low Income Investment Fund, formerly known as Low Income Housing Fund, provides technical assistance, project funding and community services that benefit LMI individuals. Among the programs offered by LIIF are childcare, education and affordable housing initiatives. During 2003, FRB extended a \$500 thousand unsecured three-year term loan to LIIF
- *Small Business Investment Corporations ("SBICs")*: SBICs provide equity capital and long-term debt financing to small and midsize businesses. This financing is leveraged by funds from the U.S. Small Business Administration ("SBA"). FRB granted a \$10 million line of credit to a group of SBIC funds. As of the evaluation date, the line had an outstanding balance of \$5.6 million.
- *Federal Home Loan Bank ("FHLB") Community Investment Program*: This FHLB program funds economic development programs that benefit LMI neighborhoods and families. As of the evaluation date, FRB had three loans, totaling \$2.1 million, outstanding under the Community Investment Program.

Included in the above total is a \$356 thousand mortgage loan that FRB approved during the evaluation period to finance the purchase and rehabilitation of a multifamily property located in a moderate-income census tract in New York County (Manhattan). When complete, the development will provide affordable housing for LMI families, including first-time homebuyers.

- *Low-Income Housing Tax Credit ("LIHTC") Program*: Congress created the LIHTC program to encourage private investment in projects that build or rehabilitate rental housing for low-income households. In December 2003, FRB approved a \$3.5 million line of credit to a company that works as an intermediary in the Low-Income Housing Tax Credit ("LIHTC") program. In brief, the company assembles real estate investors to fund LIHTC projects without investing in the real estate itself. As of year-end 2003, the line of credit had an outstanding balance of \$2.0 million.
- *Youth Development*: In August 2003, FRB approved a \$5 million revolving line of credit to a major nonprofit organization that serves inner-city youth from low-income households. Among other programs, the organization offers after-school programming, SAT preparation, internship placement, and medical and dental services.

- *Post 9/11 Recovery Initiatives:* In the wake of the terrorist attacks of September 11, 2001, the bank made various loans to promote New York City's recovery. As of the evaluation date, four of these loans remained in the bank's portfolio with combined outstanding balances of \$3.9 million.

Innovative or Flexible Loan Products

FRB works through the SBA's Small Business Investment Company ("SBIC") program to increase the flexibility of its loan products. The bank's also offers the following innovative or flexible lending products:

- *Fannie Mae Community Home Buyer Program:* This program makes it easier for first-time homebuyers to purchase homes by offering substantially lower down payment requirements and reduced income thresholds. In 2002, the bank extended four loans, totaling \$377 thousand, under this program.
- *Gift Loan Program:* This program is geared to LMI individuals who are purchasing homes in LMI neighborhoods. There are no closing costs on the mortgage and applicants are given \$50 cash just for applying. If their loan is originated, applicants also receive a \$250 gift certificate to Circuit City. During the evaluation period, FRB originated two loans, totaling \$142 thousand, under this program.

II. Investment Test: "High Satisfactory"

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

FRB's level of community development investments is reasonable and reflects good responsiveness to the credit needs of its assessment area.

Since the prior evaluation, FRB's level of qualified investments has increased significantly. Total investments during the current evaluation period totaled \$2.6 million, and 100% of that amount was new money. The bank invested \$1 million in a private fund that supports affordable housing, \$63 thousand in Fannie Mae mortgage-backed securities and \$1.5 million in a commitment to purchase collateral trust notes from Community Preservation Corporation.

Grants and Donations

During the evaluation period, FRB contributed approximately \$72.2 thousand to 12 nonprofit organizations that provide community services within the

assessment area. Through these grants, the bank supported affordable housing, education and childcare initiatives for individuals from LMI households.

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 of delivering retail banking services and the extent and innovativeness of its community development services.

Retail Banking Services: “Low Satisfactory”

Accessibility of Delivery Systems

The bank operates two full-service banking offices in New York County. Supplementing these offices is an ATM network that includes one machine at each office plus 11 non-deposit-taking ATMs elsewhere within the assessment area. All of FRB’s branches and ATMs are located in upper-income census tracts.

FRB offers a variety of banking services and products at locations that are accessible to essentially all portions of the assessment area. Each branch provides 24-hour ATM access, and the bank does not charge a fee for using non-proprietary ATMs. Branches are open from 9:00 a.m. to 5:00 p.m., Monday through Friday. The banking hours do not vary in a way that inconveniences any portion of the assessment area.

Alternative Delivery Systems

- *Call Center:* FRB has a call center that allows customers to make name and address changes, obtain interest rate quotes, make balance transfers, stop payments, and obtain balance and payoff information. The call center offers service in six languages, is reachable through a toll free number and is available seven days per week, from 6:00 a.m. to 6:00 p.m.
- *Bank-by-Mail:* The bank offers bank-by-mail services at all of its locations. Prepaid envelopes are provided to customers who utilize this service.
- *First Republic Banking Online:* Customers can obtain account information, pay bills, open checking accounts and apply for credit online. There are no monthly or “per transaction” charges for on-line banking activities.
- *No-Cost Savings and Check Accounts:* FRB offers no-fee checking accounts and IRAs as a way of promoting affordable banking.

Changes in Branch Locations

In October 2002, FRB opened a second retail branch at 1230 Avenue of the Americas in Manhattan. During 2003, the bank added two additional off-site ATMs to its network.

Community Development Services: “High Satisfactory”

FRB provides a relatively high level of community development services within the assessment area by sharing its financial expertise with non-profit organizations, schools and governmental agencies. Several representatives from the bank work with a variety of nonprofit community groups. In addition, FRB has a conference room at its offices on Sixth Avenue that it makes available for use by local nonprofit organizations.

Some of the organizations that have benefited from FRB’s service efforts are identified below:

- *Little Sisters of the Assumption Family Health Services, Inc. (“LSA”)*: LSA provides advocacy services, a food pantry, day care facilities and home health care for low-income children and families in East Harlem. FRB provides a branch facility at which this organization can host its finance committee meetings. In addition, two FRB representatives serve on several of the organization’s committees.
- *Operation Hope (OH)*: FRB is a founding member and annual supporter of OH, which is a nonprofit organization that provides financial education and empowerment training for LMI communities within New York City and across the United States. A representative from the bank is a regional board member for OH.
- *Community Home Purchase Process Initiative (CHPPI)*: CHPPI is a multi-disciplinary coalition that was created in 1996 by the Federal Reserve Bank to help combat discrimination in the home buying process. In 1999, CHPPI merged into an existing non-profit organization and continued providing information to help first-time homebuyers understand the mortgage process. One of the First Republic’s trust officers is the chair of CHPPI’s board.

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 was conducted concurrently with this evaluation. That examination indicates satisfactory adherence to anti-discrimination and other applicable laws and regulations. No evidence of prohibited discriminatory 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.

To ascertain the credit needs of its community, FRB's branch managers and lending officers maintain a good working relationship with local businesses and community-based organizations.

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.

FRB uses the local media to inform the public of its credit-related programs. Branch employees and personal contacts also serve as a marketing resource.

In addition, FRB has developed an "LMI Mailer" direct mail program that informs residents in LMI census tracts of the bank's products and services.

FRB's employees are actively engaged in community development services in their local community and providing financial expertise to organizations such as New Yorkers for Children, Children's Aid Society, Room to Grow, Lighthouse International and the Eastside House Settlement.

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 effectiveness of the bank's products and services.

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.

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 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.

Small Business Loans

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