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Comptroller of the Currency  
Administrator of National Banks

**Wholesale Bank**

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Washington, DC 20219

## **Public Disclosure**

October 18, 1999

### **Community Reinvestment Act Performance Evaluation**

**Chase Manhattan Bank and Trust Co., N.A.  
Charter Number: 23470**

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Los Angeles, California 90067**

**Office of the Comptroller of the Currency  
Large Bank Division  
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**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Chase Manhattan Bank and Trust Company, N.A., Los Angeles, California** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 18, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout the Performance Evaluation. The definitions are intended to give the reader a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** - Must consist generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area** - A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Income Levels** - These relate to individuals, families, households, or the census tracts in an MSA.

**Low** - An income level that is less than 50% of the median income.

**Moderate** - An income level that is at least 50% and less than 80% of the median income.

**Middle** - An income level that is at least 80% and less than 120% of the median income.

**Upper** - An income level that is 120% or more of the median income.

**Low- and moderate- income (LMI)** - geographies (e.g., census tracts and block numbering areas) which have, and individuals who have, low- or moderate-incomes.

**Managed Assets** - The total assets managed or serviced by the bank, including any off-balance sheet assets. Off-balance sheet assets generally consist of loans the bank originates, or purchases, and subsequently removes from financial statements through an asset securitization and sale to a trust. In some instances, the loans are sold directly to a third party through a participation agreement with the originating bank retaining servicing rights.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above and below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the United States Office of Management and Budget (OMB). MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Net Operating Income** - As defined by the Consolidated Report of Condition and Income, income before adjusting for extraordinary items.

**Tier I Capital** - The total of common shareholders equity, perpetual preferred shareholders equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Total Assets** - Total bank assets as defined by the Consolidated Report of Condition and Income.

**Total Operating Income** - Interest income plus noninterest income as defined by the Consolidated Report of Condition and Income.

**Wholesale Institution** - An 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 bank is in effect.

## SCOPE OF THE EXAMINATION

In evaluating the bank's performance under the CRA, we reviewed the level and nature of Chase Manhattan Bank and Trust Company, N.A.'s community development lending, qualified investments and community development services. At the bank's option, we also considered community development activity provided on its behalf by its affiliates. This is the first CRA evaluation of the bank. The following table summarizes the scope of this evaluation.

Time Period Reviewed	January 1, 1996 to October 18, 1999	
Financial Institution		Products Reviewed
Chase Manhattan Bank and Trust Company, N.A.		Grants and community development deposits
Affiliate(s)	Affiliate Relationship	Products Reviewed
The Chase Manhattan Bank	Holding company affiliate	Loans and investments
Chase Manhattan Foundation	Holding company affiliate	Grants and contributions
Chase Manhattan Mortgage Company	Holding company affiliate	Community development services
Chase Community Development Corp.	Holding company affiliate	Community development loans and investments
Chase Real Estate Finance Group	Holding company affiliate	Loans

## CRA RATING

This institution is rated: "Outstanding".

Primary factors supporting the bank's overall rating include:

- the bank and its affiliates have a very high level of community development loans (\$80 million), a high level of qualified investments (\$12 million), and extensive community development services;
- the bank and its affiliates have made a substantial impact on the community development needs of its marketplace; and,
- considering that the bank is a recent entrant to the marketplace and conducts a limited business, it and its affiliates have provided some innovative services.

## **DESCRIPTION OF INSTITUTION**

Chase Manhattan Bank and Trust Company, N.A. (Chase Trust California) is one of several banking subsidiaries of The Chase Manhattan Corporation, headquartered in New York City. The other banking subsidiaries are The Chase Manhattan Bank; Chase Manhattan Bank USA, N.A.; Chase Bank of Texas, N.A.; Chase Bank of Texas-San Angelo, N.A.; Chase Manhattan Trust Company, N.A. (Pittsburgh); Chase Manhattan Private Bank (Florida), N.A.; and Chase Manhattan Bank - Delaware. The corporation provides a broad array of financial services throughout the United States and the world and is one of the largest financial companies in the U.S., with assets of \$370 billion. Various affiliates, listed in the table on page 5, provide CRA products and services for the bank. Chase Trust California's charter entitles it to provide full banking services. Management's business strategy limits its activities primarily to the provision of private banking and trust services. Chase Trust California applied for a wholesale designation as permitted under the CRA. The OCC approved the bank's application for wholesale designation on February 19, 1998. With this designation, the bank is evaluated under the community development test. Chase Trust California, consistent with its size and resources, is able to help meet the credit needs of its entire assessment area. The bank has no financial or legal constraints that would affect its ability to serve the community's lending, investment, or service needs. However, because of its limited business focus, various parent holding company affiliates provide additional CRA-qualified Community Development investments, loans, and services.

Chase Trust California offers private banking and trust services in California. The bank has one office in Century City, Los Angeles that accepts deposits. It also has a nondepository trust office in San Francisco. The bank results from the consolidation of the holding company's three separate trust operations in California: The Chase Manhattan Trust Company of California, an uninsured, nationally chartered trust association, The Chase Trust Company of California, an uninsured, state chartered trust company, and the Los Angeles branch of Chase Manhattan Private Bank, N.A., a nationally chartered bank, which was based in Florida and engaged primarily in fiduciary and investment management activities. The consolidation occurred November 15, 1997 and the bank received FDIC deposit insurance. Under its current configuration, the bank is a recent entrant to the marketplace. The headquarters is in Century City, which is part of Los Angeles. Additional financial information for the bank is contained in a table in the Appendix.

As of September 30, 1999, Chase Trust California had total assets of \$73 million. Tier 1 capital was \$24 million. Earnings from operations in 1998 resulted in net income of \$512,000.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area is Los Angeles County, which includes the city of Los Angeles. The assessment area meets the legal requirements of CRA, and does not arbitrarily exclude LMI areas. As a qualified wholesale bank, Chase Trust California directs many of its CRA activities

outside its assessment area and seeks the most appropriate investment and lending opportunities in the county, as well as major metropolitan areas throughout California.

Los Angeles County has a population of nearly nine million. Of the county's census tracts, 9 percent are low income, 23 percent are moderate income, 33 percent are middle income, and 34 percent are upper income. Median family income is \$43,000. Forty-eight percent of the housing units are rental occupied and 45 percent are owner occupied. The median housing value is \$246,000, which is 5.7 times the median family income. In the LMI census tracts, only 24 percent of the housing units are owner occupied.

California has a population of 32 million. Six percent of the state's census tracts are low income, 22 percent are moderate income, 41 percent are middle income, 27 percent are upper income, and 4% are not quantified by income. Median family income is \$43,000. The majority (51 percent) of the housing units are owner occupied. The median housing value is \$210,000, which is 5 times the median family income. In the LMI census tracts, only 31 percent of the units are owner occupied.

During the examination, we reviewed community contact forms that representatives of the OCC, Federal Reserve Banks, and Federal Deposit Insurance Corporation had recently prepared. We also reviewed the U.S. Department of Housing and Urban Development's (HUD's) Los Angeles Consolidated Plan Executive Summary. Clearly, the bank and its affiliates' efforts to support the development of LMI affordable housing actively responds to identified community credit needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE**

### **Summary**

During this evaluation period, Chase Trust California and its affiliates had a very high level of qualified investments and community development loans, totaling \$93 million, which were responsive to identified community credit needs. We considered the bank's performance strong because on an annualized basis, these dollars represent 200 percent of the bank's tier I capital, 488 percent of the bank's total income, and 3.4 percent of the bank's managed assets. The bank made extensive use of innovative and complex projects in which its affiliates took the initiative to create affordable single-family and multifamily housing, and especially innovative community development services. Due to its wholesale designation, Chase Trust California can receive credit for qualified loans, investments and grants, which it or its affiliates made outside of the assessment area.

### **Community Development Investments**

During the evaluation period, Chase Trust California's qualified investments totaled \$13.3 million and consisted of Low Income Housing Tax Credits (LIHTCs), a deposit in a community development financial institution, and charitable contributions. Approximately 58 percent of the



qualified investments directly benefit the assessment area. The remaining investments are targeted to the broader regional area throughout California, and the United States.

Affiliates invested \$12 million, on behalf of the bank, in LIHTCs to help produce affordable housing. These investments were made through large national intermediaries that support the development of affordable housing. The portfolios include 34 projects in regional investments for California, which provided 1,928 units of housing. The balance benefited other sections of the United States, reflecting the national activities of The Chase Manhattan Corporation.

In 1998 Chase Trust California deposited \$100,000 in a community development financial institution that serves a five county area in Southern California. The financial institution has established a \$10 million loan pool to make non-conventional loans to develop affordable housing.

The Chase Manhattan Foundation provided \$1 million and the bank provided \$100,000 in CRA qualified grants and charitable contributions during this evaluation period. A substantial number were in the bank's assessment area, and all were in California. The grants were spread among hundreds of organizations, and mostly supported community services for LMI individuals and affordable housing. Among the more significant grants were \$95,000 to a housing organization to provide education programs and mortgage counseling services; \$50,000 to a nonprofit investment bank for training, home buyer education, and credit counseling programs; and \$25,000 to a local Urban League for a home ownership program.

### **Community Development Loans**

Chase Trust California's community development lending totaled nearly \$80 million during this evaluation period. Approximately 21 percent of these loans were made within its assessment area. All the lending supported affordable housing in various cities in California.

In 1998 the Chase Real Estate Finance Group, on behalf of the bank, made ten mortgage loans in the amount of \$70 million to a real estate company that owns and manages rental apartments. These multifamily apartment buildings originally were HUD financed residences for LMI families, and contain 1,254 units. At the expiration of the HUD financing program, the buildings were refinanced and rented at market rates. In order to retain the present tenants, local housing authorities subsidize the rents for tenants. The subsidy is based on the amount of the tenants' incomes, which determines their ability to pay rent. The majority of the units are rented to LMI individuals. In addition, three of the ten properties are located in LMI areas.

In 1996 The Chase Manhattan Bank, on behalf of Chase Trust California's predecessor, extended \$500,000 to a statewide loan consortium that acts as a catalyst for the development of affordable housing. The consortium has constructed 1,714 units of senior and multifamily housing totaling \$22 million, by leverage lending. The bank's note currently has an outstanding balance of \$89,000.

In 1997, the Chase Community Development Corporation committed \$400,000 to a development initiative; to date, \$300,000 has been extended. The funds have been apportioned between projects in the Los Angeles and the Bay Area. The funds support four community development corporations in the Bay Area for the purposes of public housing, home ownership, economic development, and building childcare and other facilities. In Los Angeles the bank selected eight community development corporations in seven neighborhoods to assist projects for affordable housing and economic development.

In 1998 The Chase Manhattan Bank, on behalf of the bank, extended an \$8,795,500 term loan to a housing fund managed by another bank. Currently \$5.8 million is outstanding. The purpose of the loan is to provide bridge financing for Low Income Housing Tax Credits (LIHTCs) in markets served by the originating bank, which includes California.

### **Community Development Services**

Chase Trust California has been very responsive to California's need for community development services, especially in the areas of mortgage and credit counseling programs. In addition to the resources of the bank, three community development officers of Chase Manhattan Mortgage Company's (CMMC's) National Affordable Mortgage Group perform outreach. The mission of this group is to provide more access to credit through local partnerships, flexible mortgage products and community outreach targeted at LMI and minority homebuyers. CMMC sponsors numerous activities in Los Angeles, as well as San Diego and San Francisco.

Since 1996 CMMC, in partnership with housing organizations, sponsored and participated in 192 homebuyer workshops and seminars to facilitate the purchasing of affordable housing throughout California. These programs require much planning, sophisticated marketing, and highly trained presenters. There were 41,234 attendees, and 1,315 of them applied for mortgage loans at CMMC.

CMMC partnered with two groups in Los Angeles County in an effort to increase homeownership among LMI minority residents. Three components were identified as being essential to successfully applying for a home purchase loan: (1) identifying and recruiting potential homebuyers, (2) credit counseling to educate mortgage applicants about the credit process, and (3) the financing of the home purchase. Since 1997 CMMC has co-hosted eight seminars to assist LMI households in securing mortgages. They were attended by 657 people, resulting in 30 referrals to CMMC. CMMC committed \$50 million in mortgages to the project for a two-year period.

Mortgage counseling for LMI homebuyers has also been done in partnership with other community groups in the state. In many of these, CMMC is the lead lender for the groups.

A Chase Trust California affiliate developed a unique and innovative basic credit-training program to meet the needs of community economic development professionals. Credit Institute for Economic Development (CIED), sponsored by Chase USA, has a five-day credit-training

program with a curriculum that covers commercial, mortgage, and personal finance, as well as investments. In 1998 the bank sponsored the first CIED in Los Angeles in a joint venture with Founders Bank, the largest minority-owned bank in California. Twenty-one staff members from various organizations participated and graduated from this seminar.

"Chase Job Start" is an innovative service program funded by the Chase Manhattan Foundation. Part of the funding has been given to a non-profit organization in Los Angeles. In turn, the organization establishes no-interest loan/grant funds to help individuals meet the transitional expenses of getting and staying employed. Chase learned that publicly funded job training programs are often prohibited from paying for small out-of-pocket expenses that their clients incur in their job search or in the first few months of starting a new job. The funds allow for payment of such items as day care, suitable clothing for a new job, taxi fares, etc., while clients are interviewing for jobs or waiting for the first paycheck from a new job.

Through an innovative program started by The Chase Manhattan Bank, the Chase Manhattan Foundation has awarded Active Learning Program grants to middle schools in various areas of the country. Among them are 9 middle schools in Los Angeles. The majority of the students attending these particular schools come from lower income households. The program partners with the Public Education Network, and seeks to improve the learning process by assisting and encouraging middle school teachers and students to create engaging, interdisciplinary projects that link schoolwork to real life. The competitive grant strategy provides flexible dollars coupled with technical support, builds a national framework for information sharing, and supports ideas and innovations originating with teachers and administrators at school sites.

## **FAIR LENDING REVIEW**

Any consumer lending requested by Chase Trust California customers is referred to its affiliates, including the Chase Manhattan Mortgage Company (CMMC), an operating subsidiary of Chase Manhattan Bank USA, N.A. (Chase USA). No violations of the substantive provisions of antidiscrimination laws and regulations were identified during the 1998 and 1999 fair lending examinations of CMMC. The examinations focused on the application process for the conventional home purchase and manufactured housing portfolios. Chase USA maintains sound policies, training programs and control systems to prevent illegal discrimination in the conduct of its mortgage lending activities.

## APPENDIX

### BANK DATA TABLE

The following table represents annualized data rounded to thousands for calendar years 1997 and 1998, except that Investments and Loans are annualized over the period January 1, 1996 to September 30, 1999. A reorganization and consolidation of the bank and its predecessors in 1997 make prior years' comparisons irrelevant.

<b>Chase Manhattan Bank and Trust Company, N.A. (Annualized Data)</b>	
Tier 1 Capital	\$23,200
Total Income	\$9,521
Qualified Investments and Community Development Loans	\$24,800
Managed Assets	\$2,272,958