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Comptroller of the Currency  
Administrator of National Banks  
Washington, D.C.

**LARGE BANK**

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## **PUBLIC DISCLOSURE**

**February 17, 1998**

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

#### **Fleet Bank, National Association**

**Charter No. 374**

**10 Exchange Place Center  
Jersey City, New Jersey 07302**

**Office of the Comptroller of the Currency**

**Large Banks Division**

**250 E Street, SW  
Washington, D.C. 20219**

**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 **Fleet Bank, National Association, Jersey City, New Jersey** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 17, 1998**. 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.

**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.

**Consolidated Metropolitan Statistical Area (CMSA)** -. An area may be defined by OMB as a CMSA if several component areas (MSAs) can be identified within the entire area by meeting specified statistical criteria, and local opinion indicates there is support for the component areas.

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in an MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition.

**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. HUD updates the MFI each year.

**Low-Income** - Income levels that are less than 50 percent of the MFI.

**Moderate-Income** - Income levels that are at least 50 percent and less than 80 percent of the MFI.

**Middle-Income** - Income levels that are at least 80 percent and less than 120 percent of the MFI.

**Upper-Income** - Income levels that are 120 percent or more of the MFI.

**Small Business Loans** - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

**Regulatory Capital** - Bank capital as defined by regulation. In this evaluation we use Tier I capital as a measure. Tier I capital consists of paid in stock, surplus, and retained earnings.

## CRA Rating

Institution's CRA Rating: This institution is rated **"Satisfactory"**

Primary factors supporting the bank's overall rating include:

- ▶ Fleet's lending level responded positively to the credit needs of its communities.
- ▶ A substantial portion (99 percent) of HMDA reportable and small business loans, and 65 percent of consumer loans, were originated within the assessment areas.
- ▶ There are no unexplained lending gaps in the assessment areas.
- ▶ The bank had a high level of community development lending.
- ▶ Fleet committed to \$74 million in qualified investments extended during the period, which is a significant portion of equity capital. It extended \$41 million in funding for these commitments.
- ▶ Delivery systems are reasonably accessible to all portions of the assessment areas.

The following table indicates the performance level of **Fleet Bank, National Association**, with respect to the lending, investment and services tests.

Performance Levels	Fleet Bank, National Association Performance Tests		
	Lending Test*	Investment Test	Service Test
<b>Outstanding</b>		x	
<b>High Satisfactory</b>	x		
<b>Low Satisfactory</b>			x
<b>Needs to Improve</b>			
<b>Substantial Noncompliance</b>			

\* Note: The lending test is weighted more heavily than the investment and service tests in the overall rating.

## Description of Institution

Fleet Bank, National Association (Fleet) is a full service bank currently serving the New Jersey and downstate New York markets. It is an affiliate of Fleet Financial Group (FFG), a \$85 billion bank holding company with

headquarters in Boston. Other affiliated banks serve markets in upstate New York and New England. As of December 31, 1997, the bank's assets totaled \$25 billion; regulatory capital base \$1.4 billion; domestic deposits, \$14 billion; and total loans, \$14 billion.

The chart shows the composition of the loan portfolio. Residential real estate loans are a comparatively large portion of the assets because affordable mortgages, private banking mortgages, and purchased mortgages are retained in the asset portfolio by the bank.

Affiliates provide several product lines on behalf of the bank. Fleet Mortgage Group and Fleet National Bank

originate HMDA reportable loans, and Fleet Community Development Corporation and Fleet Securities also generate loans and investments. The bank has 342 branches serving 11 MSAs. Approximately 20 percent of the households that are Fleet's customers are categorized as low or moderate income. The total retail customer base consists of about 1.2 million households.

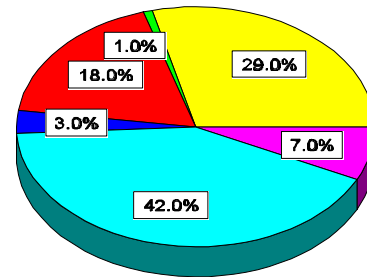
The current Fleet Bank derives from a significant merger of two banks in 1996. FFG purchased the former National Westminster Bank, National Association (NatWest) and the bank's name was changed to Fleet Bank, National Association. Seventy-two branches in lower New York State were transferred to this bank from an affiliate, Fleet Bank, Albany, New York.

## Description of Assessment Area (AA)

The bank has four assessment areas comprising the entire state of New Jersey and the eight southernmost counties of New York. Two assessment areas are in New Jersey and two are in New York. The total area encompasses 11 MSAs (nine in New Jersey and two in New York), and it is the most densely populated area in the United States. Many residents of New Jersey work in New York, and the economies, while having distinct characteristics, are intertwined.

## Loan Portfolio

December 31, 1997



New Jersey is divided into two assessment areas. One consists of the seven southernmost counties which comprise the New Jersey portion of the Philadelphia Consolidated MSA. The other consists of the remaining 14 counties which comprise the New Jersey portion of the New York Consolidated MSA. The New York market is also divided into two assessment areas. One consists of part of the New York City MSA that comprises the five boroughs of New York City and Westchester County. The other is the Nassau-Suffolk MSA, which consists of Nassau and Suffolk Counties, and is commonly called Long Island.

New York City is the most populous city in the United States and is the center of the largest metropolitan area. A huge consumer base and tourism market keep the retail and personal services industries strong. However, the city faces major economic and social issues including: high unemployment; increased dependence on public assistance; increased demand for affordable housing; and reduced government funding at the federal, state, and local levels. High operating costs continue to erode the manufacturing base. Cutbacks in the defense industry have affected Long Island. However, the New York metropolitan area has a large service sector because it is the headquarters of many Fortune 500 companies and the financial capital of the country. The New York - Long Island area has recovered more slowly from the 1990-92 recession than most of the nation, but the financial services and real estate industries are strong and expanding.

The economy in New Jersey has improved in the past year, primarily because of its growing services, trade, and communication and transportation industries. Some demographic trends suggest longer term weaknesses. The jobless rate is only 5.5 percent, but the population has suffered a net migration loss. The state's population growth is half the national average. This, combined with one of the highest cost structures in the Northeast, suggests that economic performance is worse than the nation as a whole.

Competition in the bank's markets is very intense. Some of the most sophisticated retail banks in the world conduct business here. Among the competitors in the greater New York City area are Chase Manhattan and Citibank, two of the nation's largest banks. Both have extensive deposit bases and lending operations. Republic National Bank and Bank of New York are also active in this market and both are significantly larger than Fleet. Two very large savings banks also provide competition. And, two world class wholesale banks, Morgan Guaranty and Bankers Trust, provide intense competition for community development loans and investments. Summit Bank, First Union Bank and PNC Bank are larger competitors in the New Jersey market. In addition, several large mortgage companies are significant lenders in the area.

Fleet ranks in the top five in deposit share in four of the nine MSAs in New Jersey, and is second in market share on Long Island. However, it is not among the ten leading deposit gatherers in the New York City and Philadelphia MSAs.

**DEMOGRAPHICS FOR ALL ASSESSMENT AREAS**

<b>Census Tract Income Level</b>	<b># of Census Tracts</b>	<b>% of Total Tracts</b>	<b>Age of housing (years)</b>	<b>Median Housing Value (000's)</b>	<b>Owner-Occupied Units</b>	<b>Families within each Income Category</b>
Low	446	9%	37	\$70	1%	8%
Moderate	852	17%	39	\$129	11%	17%
Middle	2,134	43%	36	\$167	51%	46%
Upper	1,361	27%	34	\$268	37%	29%
Not applicable	163	4%				

**DEMOGRAPHIC INFORMATION**

(1990 Census Data and 1997 HUD Median Family Income)  
(Bank data for branches is as of February 17, 1998)

**Assessment Areas**

<b>Demographic Information</b>	<b>New York City MSA</b>	<b>Nassau-Suffolk MSA</b>	<b>New Jersey: North &amp; Central</b>	<b>New Jersey: South</b>
Population	8,197,430	2,609,212	6,079,453	1,650,735
Median Family Income	\$47,300	\$68,500	\$61,563	\$49,669
Low Income Census Tracts	316 (13%)	3 (1%)	106 (7%)	21 (5%)
Moderate Income Census Tracts	437 (18%)	79 (14%)	280 (19%)	56 (13%)
Middle Income Census Tracts	814 (33%)	385 (66%)	685 (46%)	250 (57%)
Upper Income Census Tracts	801 (33%)	105 (18%)	356 (24%)	99 (23%)
Owner-Occupied Housing Units	30%	74%	58%	61%
Vacant Housing Units	3%	7%	7%	14%
Fleet Branches	71	99	149	23
Branches in LMI Census Tracts	11	17	30	5
Remote ATMs	38	58	99	34

Census tracts do not include those whose income characteristics could not be identified.



## **Community Contacts**

During the examination, we reviewed all community contact forms that representatives of the OCC, Federal Reserve Banks, Federal Deposit Insurance Corporation, and Office of Thrift Supervision had recently prepared. The contacts were made in all of the bank's four assessment areas, and included local community-based organizations, state agencies, and municipal officials. We also met with two community-based organizations immediately prior to the start of this examination. Among the more prominent identified community needs were affordable housing credit programs, short and long term funding for LMI housing projects costing less than \$500 thousand, multifamily housing building loans, economic development loans, small business and start-up financing, credit counseling, secured credit cards, and social and financial services.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE**

### **Scope of Review:**

We examined Fleet's performance under the Community Reinvestment Act from our last examination, July 30, 1996. The data contained in this evaluation is for the full years 1996 and 1997. We reviewed HMDA reportable loans, small business loans, consumer loans, community development loans and investments for the four assessment areas. We also reviewed the services provided by the bank to deliver products. In addition, the bank requested we review the HMDA reportable loans made in its assessment areas by the affiliated Fleet Mortgage Group and Fleet National Bank. HMDA reportable loans purchased from affiliates were deducted from the total lending because they were also reported as originations by affiliates. We also reviewed loans and investments made in Fleet's assessment areas by the Fleet Community Development Corporation and Fleet Securities. We reviewed loan and investment files to verify that they qualified for community development consideration.

## **LENDING TEST**

### **Lending Activity**

Fleet offers a variety of real estate, small business, and consumer loans throughout its various assessment areas. The volume of originations and purchased loans demonstrates that the bank has been responsive to the assessment areas' credit needs.

During 1996 and 1997, the bank originated 15,922 HMDA reportable loans for \$1.8 billion. Of these, 6,349 were home purchase loans; 5,911 were refinancing loans; and 3,652 were home improvement loans. The bank makes very few HMDA reportable multifamily housing loans; ten were made in 1996 and none in 1997. It does, however, support multifamily housing through its community development lending. In 1996, Fleet ranked fifth among all mortgage lenders in its assessment areas. However, the bank ranked 27th in the southern New Jersey assessment area. During 1997 the volume of HMDA reportable lending decreased as the bank concentrated on merging operations of the predecessor banks.

The mortgage group also experienced operating difficulties, including significant management turnover. As noted above, this is a very competitive environment, and it is competing against much larger institutions.

During the evaluation period the bank originated 187,113 consumer loans for \$1.5 billion within the assessment areas, and 12,975 reportable small business loans for \$2 billion. Although the volumes of this lending also decreased in 1997, Fleet is a leading small business and consumer lender, and the level of lending is very responsive to the credit needs of the communities served by the bank.

A substantial majority of Fleet's lending originated within the bank's assessment areas. During the evaluation period, 99 percent of the HMDA reportable loans were within its assessment area. Similarly, 99 percent of small business loans and 65 percent of the consumer loans originated in the assessment areas.

### **Geographic Distribution**

During the evaluation period Fleet made HMDA reportable loans in 86 percent of the census tracts in its assessment areas, and consumer loans were originated in 97 percent of the census tracts. There were no unexplained gaps in lending.

Fleet's geographic distribution of HMDA loans shows good penetration throughout the bank's assessment areas. Fleet originated a higher percentage of its HMDA reportable loans in low income census tracts (4 percent in 1996 and 2 percent in 1997) than the 1 percent achieved by the aggregate market. The percentages of Fleet's HMDA reportable loans in moderate-, middle-, and upper-income census tracts were consistent with the percentages for the aggregate total of all HMDA reporters. Also, Fleet originated the highest number of home purchase loans within its assessment areas in low income census tracts, although this is a very limited market because of the low incidence of owner-occupied residences. Fleet made 13 percent of the loans, which amounted to only 246 loans.

The distribution of Fleet's small business loans is good with a reasonable percentage of loans originated in low- and moderate-income areas. During this evaluation period, 3 percent of Fleet's small business loans were originated in low income tracts and 15 percent in moderate income tracts. These results are consistent with the total market's distribution for 1996 and the percentage of businesses located within each geographic category. Aggregate market data shows that small business lending volume by local banks is high and the market is very competitive.

Also, Fleet's distribution of consumer loans shows the bank has successfully penetrated low- and moderate-income census tracts. The bank originated consumer loans in almost all of its low- and moderate-income census tracts. On a per capita basis, penetration of the consumer loans was highest in middle-income census tracts and lowest in low-income tracts.

### **Borrowers' Profile**

The bank's HMDA-reportable loans show good penetration to borrowers of different income levels. In 1996, Fleet consistently ranked among the top five lenders in originating home purchase and home improvement loans to low- and moderate income-applicants within the New York City CMSA.

Fleet successfully originated small business loans to firms with different revenue sizes within its assessment areas. During our evaluation period, 43 percent of the bank's small business loan originations were to firms with annual revenues of less than \$1 million, and 86% of the loans were for amounts less than \$100,000.

The bank makes consumer loans to borrowers at all income levels. Moderate-income borrowers received the highest number of consumer loans and upper income borrowers received the second highest number of the bank's consumer loan originations. On a per capita basis, penetration of the consumer loans was very high among both low- and moderate- income borrowers.

Our analysis of the bank's lending activities and rating conclusions are based on Fleet's efforts within each assessment area. Results within the New York City CMSA were given more weight, as this area contains the substantial majority of the assessment areas' population. A more detailed discussion concerning the bank's lending activity, along with supporting data are provided under rating sections labeled "New York City Consolidated MSA" and "State Rating - Southern New Jersey."

### **Innovative or Flexible Lending Practices**

Fleet offers flexible home purchase and small business loan programs which benefit low- and moderate income borrowers and small business owners. These include programs developed internally and government-sponsored loan programs. They feature flexible underwriting criteria and/or other enhancements. The loans originated under these programs are included in the data for HMDA reportable and small business loans presented in this evaluation. The following is a brief description of the major flexible programs which are available throughout the bank's assessment areas.

**Home Mortgage Opportunity Loan Program.** A home purchase loan program targeted to applicants with income up to 100 percent of the median family income. Features include a below market interest rate, 95 percent financing, zero closing points, and no required private mortgage insurance. Borrowers must complete home ownership and financial education classes.

**LMI Program.** A home purchase loan program was developed for applicants who do not meet secondary market criteria. Special features include 95 percent down payment, no mortgage insurance, and 2.5 percent of borrower's down payment can come from grants or gifts. In targeted communities, this product is available to applicants with incomes up to 140 percent of the median family income. (This feature is in response to the high cost of housing within the bank's assessment areas.)

**Fleet Small Business Loan Program.** A program offered through the INCITY Business and Entrepreneurial Services Group. It is designed to promote and support small businesses and other entities located within, or that benefit, low- and moderate-income persons or geographies. The loan requires less supporting documentation than standard bank requirements. The program also provides flexible underwriting criteria, and the bank does not require a minimum loan amount.

### **Community Development Lending**

In order to qualify as community development under the revised CRA regulation, the primary purpose of the loan must be for one of the following:

- affordable housing targeted to low-or moderate-income individuals;
- community services targeted to low or moderate-income individuals;
- activities that promote economic development by financing small businesses or farms; or,
- the revitalization or stabilization of low- or moderate-income geographies.

Fleet is a very active community development lender. During this evaluation period, the bank originated approximately 30 qualified community development loans for \$129 million, most of which benefited the New York City CMSA. These loans have resulted in the construction of more than 2,300 new or rehabilitated affordable housing units for low- and moderate-income individuals. The majority of the loans were for the development of single-family homes and multi-family housing units that are targeted to low- and moderate-income individuals. Some of the projects involved the use of low-income housing tax credits (LIHTC), where the bank provided the construction funds. The bank participated with both for-profit and nonprofit developers, and with governmental agencies to fund affordable housing projects and small business expansion. Major development projects are discussed in the Community Development Lending sections of the New York City CMSA and New Jersey rating areas.

A notable aspect of Fleet's financing efforts included the leadership position it took when working with the New York City Housing Development Corporation's new 421a Certificate Program. Fleet provided \$86 million in irrevocable letters of credit that guaranteed bonds issued to finance certificates, or credits, that are bought by for-profit real estate developers and which are used to provide the equity for multifamily housing for low-income residents.

### **INVESTMENT TEST**

Fleet has demonstrated an excellent record of providing community development investments to its assessment areas. During the evaluation period, the bank extended \$41 million in qualified investments and grants. The bank has committed to provide \$74 million in qualified investments. This latter amount represents 5 percent of the bank's Tier I capital (as defined above). While the bank's qualified investments focus on providing affordable housing for low- and moderate-income families and

individuals, the bank's lending activities provide adequate funding for the other identified credit needs of the bank's assessment areas.

Virtually all of the bank's qualified investments involve Low Income Housing Tax Credits (LIHTC). These investment vehicles assist in the development of affordable housing for low- and moderate-income families and individuals. LIHTCs have been in existence since 1986, and therefore are not considered innovative. They can, however, be designated as complex because of the specialized knowledge required to structure and maintain these projects throughout the required 15-year holding period. Additionally, these investments are not routinely funded by private investors due to the complex nature of their structure. During this evaluation period the bank has sold \$53 million of the credits to other investors.

During the evaluation period Fleet made approximately \$2.1 million in qualified grants or contributions to a variety of organizations throughout the assessment area.

## **SERVICE TEST**

Fleet's delivery systems are reasonably accessible to substantially all portions of its assessment areas and individuals of different income levels. In addition to the bank's branches Fleet has identified its network of proprietary ATMs, its Telephone Answer Center and its WorkPlace Banking as alternative ways to deliver banking services within its assessment area.

The bank maintains 342 branches within its assessment areas. Eighteen percent of its branches and 13 percent of its offsite or remote ATM's are in low- or moderate-income census tracts. Low- and moderate-income census tracts comprise 26 percent of all census tracts in the bank's assessment areas. Twenty-seven percent of the population and 26 percent of the households in the assessment areas live in low- or moderate-income tracts. About 32 percent of the households fall in the low- or moderate-income category but live in middle or upper income census tracts.

During the evaluation period the bank consolidated 29 branches into existing branches in the same area. These consolidations were the last branch changes anticipated as a result of the acquisition of NatWest in 1996. Overlapping branches from the two banks were combined. No branches were closed or opened during the evaluation period. Of the 29 branch consolidations only three, or about 10 percent, were located in low- or moderate-income census tracts. These actions did not adversely affect the low- and moderate-income areas within the bank's assessment areas.

The bank offers the traditional line of banking products and services at all of its branches. The bank offers basic checking and savings accounts for customers with limited transaction needs. These accounts have lower minimum balance requirements and smaller monthly maintenance fees. The bank will also cash Social Security and SSI checks for non-customers. Branching hours are reasonable and designed to meet the needs of the specific communities where the branches are located.

Fleet has 836 proprietary ATMs at 229 offsite or remote locations and 330 at current branch locations (there are several at some locations). Of the ATM locations 14 percent are in low- or moderate-income areas. These ATMs accept deposits, disperse cash and transfer funds between Fleet accounts. Use of this alternative delivery system is relatively consistent across all income categories. The bank estimates that 38 percent of all transactions conducted by low income households are conducted using the bank's ATMs. Similarly, the bank estimates that 35 percent of all transactions conducted by upper income households are conducted using the bank's ATMs. Small businesses transacted about 38 percent of their transactions via the bank's ATMs.

The bank's Telephone Answer Center provides 24 hours per day, seven days per week access to account information, transfers between Fleet accounts, payments on Fleet loans, stop payment orders, report lost or stolen bank cards and obtain current interest rates. Through this service, customers can also access customer service representatives during extended hours, seven days per week. The bank considers its Bill Payer service, PC Banking, Telephone Banking and Telephone Sales, and Small Business Telephone Banking Center as part of its Telephone Answer Center. The bank indicates that the Bill Payer, PC Banking, Telephone Banking and Telephone Sales services have not gained significant popularity among customers.

Fleet's WorkPlace Banking program is used by 286 companies throughout the assessment areas. This program offers reduced costs checking and savings accounts, direct deposit of payroll, reduced rates on loans and on-site ATMs. This program has gained wide acceptance with approximately 47,700 households participating in this program. Management has not completed analysis on exactly whom the bank is serving through this program. Nevertheless, many clients are small factories and presumably all income levels of geographies and individuals are served.

Throughout the assessment areas, employees of Fleet volunteer and serve on boards and committees of community organizations which help provide community development services. This participation includes involvement at the highest levels of the bank. Furthermore, the bank offers each employee two days per year of paid time to participate in community development, charitable or educational activities. Many of these activities involved extending technical or managerial assistance. Workshops to educate the public on various aspects of Fleet's products and services or general banking and business issues were presented numerous times throughout the evaluation period.

The bank has produced a series of six videos that deal with various aspects of banking. These videos are widely distributed to a variety of community-based organizations. The most recently released video is "Teens-It's Your Money, Your Future." The bank continues to re-release these videos on an ongoing basis. Each video was designed to have a perpetual usage life cycle.

## FAIR LENDING

We conducted a concurrent fair lending examination of the Fleet Mortgage Group. Home purchase mortgages were selected by a random sample of the Group's HMDA-LAR by the OCC's Economics and Policy Analysis Department. Multiple variables were analyzed by a computer-based regression model. The results of the model did not indicate any acts of illegal discrimination. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. The mortgage group's fair lending policies, procedures, training programs and internal assessment efforts are satisfactory.

### Multistate Consolidated MSA Rating

**CRA Rating for The New York City Consolidated MSA:** Satisfactory

<b>The lending test is rated:</b>	<u>High Satisfactory</u>
<b>The investment test is rated:</b>	<u>Outstanding</u>
<b>The service test is rated:</b>	<u>Low Satisfactory</u>

- ▶ Fleet is the fifth largest HMDA lender in this market.
- ▶ Among all the HMDA lenders in the market, the bank originated the highest number of home purchase loans in low income census tracts.
- ▶ Fleet ranked second in home purchase loans to both low- and moderate-income borrowers.
- ▶ The bank originated a high volume of consumer loans, with good penetration among low- and moderate-income borrowers.
- ▶ Fleet had a high level of community development lending.
- ▶ Delivery systems are generally accessible to all portions of the assessment area and community development services are provided.
- ▶ Fleet committed to provide \$72 million in Low Income Housing Tax Credits during this period.

## **Description of Institution's Operations in the New York City CMSA**

This area includes both of Fleet's assessment areas in New York State and the Northern/Central New Jersey assessment area. The three assessment areas include the eight southernmost counties in New York and the 14 northern counties in New Jersey. They constitute most of the New York MSA, all the Nassau-Suffolk MSA, and six MSAs in northern New Jersey. It has a population of 16.9 million which represents 91 percent of the population of the bank's entire assessment area. This area also accounts for 94 percent of the bank's HMDA reportable and small business lending, and 92 percent of consumer lending. The business focus is similar to that of the rest of the bank and 319 branches serve the area. Nine percent of the census tracts are low income and 18 percent are moderate income. The median family income is \$55 thousand. Twenty-two percent of the families are low income and 17 percent are moderate income. The largest MSA in the rating area is New York City, and it represents about one-half the population. The Fleet name, as a result of the 1996 acquisition, is still relatively new in New Jersey.

Downstate New York is a very diverse economic region. Housing development is the primary focus of redevelopment efforts. In addition to developing open lots and spaces with new affordable housing, significant efforts are made to rehabilitate existing deteriorated structures. Identified affordable housing credit needs include construction loans to LMI housing developers, end loans for first-time home buyers with flexible down payments, lower than market interest rates, and relaxed credit underwriting criteria. More recently needs have been identified for a "mixed use" mortgage product, and small commercial real estate loans for multifamily rental housing.

New Jersey, especially the northern and central portions, is the most densely populated state in the country. The economy in New Jersey has improved in the past year, primarily because of its growing services, trade, and communication and transportation industries. The state enjoys the second highest per capita income in the country. However, some demographic trends suggest longer term weaknesses. The jobless rate is only 5.5 percent, but the population has suffered a net migration loss. The state's population growth is half the national average. This, combined with one of the highest cost structures in the Northeast, suggests that economic performance will under perform the nation as a whole. Affordable housing financing and small business loans are among the identified credit needs.

## **Conclusions about Performance Tests in the New York City Consolidated MSA**

### **LENDING TEST**

#### **Lending Activity**

Fleet offers a variety of real estate, small business, and consumer loans throughout this CMSA. The volume of originations and purchased loans demonstrates that the bank has responded to local credit needs.



Within the CMSA during 1996 and 1997, the bank originated 14,995 HMDA reportable loans for \$1.75 billion. Of these, 6,007 were home purchase loans; 5,517 were refinancing loans; and 3,461 were home improvement loans. The bank makes very few multifamily housing loans; ten were made in 1996 and none in 1997. In 1996, Fleet ranked fifth among all mortgage lenders in the CMSA. During the same period the bank originated 173,499 consumer loans for \$1.4 billion within the assessment areas, and 12,224 reportable small business loans for \$1.9 billion. Fleet is a leading small business and consumer lender, and the level of lending is very responsive to the credit needs of the communities served by the bank.

## **Geographic Distribution**

Fleet's geographic distribution of HMDA reportable loans shows good penetration throughout the New York City CMSA. The bank's distribution of HMDA reportable loans in low- and moderate-income census tracts trailed the percentages for population and families in those tracts. However, Fleet's percentage of HMDA reportable loans originated in these census tracts was reasonably consistent with the aggregate market's distribution and the percentage of owner-occupied housing units in these census tracts. These factors (aggregate market data and percentage of owner occupied housing) provide a more accurate measurement of the opportunities for originating HMDA loans within various geographies.

In 1997, the percentage of Fleet's HMDA reportable loans in low-income tracts decreased in comparison to 1996 as management concentrated on merging operations of the predecessor banks. However, Fleet's 1997 results compare favorably with the percentage of owner occupied housing within the geographies.

Fleet was particularly successful at originating home purchase loans in low-income geographies. In 1996, 45 percent of Fleet's HMDA originations were for home purchases. Based on 1996 aggregate HMDA data for all lenders in the New York City CMSA, Fleet originated the highest number of home purchase loans in low-income census tracts (13 percent of the low-income market). It is noted that the number of loans made to low income census tracts is limited by the relatively few owner occupied housing units in these areas. Fleet's percentage of market share in low-income census tracts was more than twice as large as the closest competitor. The bank's affordable home loan products contributed to the bank's ability to lend in low- and moderate- income census tracts.

The following table shows the geographic distribution of Fleet's HMDA reportable lending (by product) within the New York City CMSA. The data includes the percentage of HMDA reportable loan products originating in low-, moderate-, middle- and upper-income census tracts and relevant demographic information for each geography. We chose to focus on the number of loans rather than the dollars extended to more clearly analyze the number of residents who have benefited from the bank's HMDA reportable lending.

**New York City CMSA**

HMDA Lending by Income Tract Category						
Tract Category	The percentage of Loans made in the assessment area by Total Market and Fleet			Percentage of population, families and owner occupied housing units from each tract category		
	Total Market Activity 1996	Fleet Lending Activity		Population	Families	Owner Occupied Housing Units
		1996	1997			
<i>Low Income Tracts</i>						
Purchase	1.3%	6.9%	3.4%	9%	8%	1%
Refinance	1.5%	0.7%	0.7%			
Improvement	1.7%	1.1%	0.7%			
<i>Moderate Income Tracts</i>						
Purchase	9.9%	9.2%	9.3%	19%	19%	12%
Refinance	10.8%	8.5%	8.4%			
Improvement	12.8%	9.6%	8.9%			
<i>Middle Income Tracts</i>						
Purchase	46.4%	45.1%	49.4%	43%	44%	49%
Refinance	47.3%	50.1%	50.9%			
Improvement	52.5%	57.9%	52.9%			
<i>Upper Income Tracts</i>						
Purchase	42.0%	38.1%	38.0%	29%	29%	38%
Refinance	39.1%	40.6%	40.0%			
Improvement	30.7%	31.4%	37.4%			

Percentages may not total 100% because an insignificant number of loans were not identified by census tract.

In addition, Fleet purchased 383 HMDA-reportable loans totaling \$107 million from nonaffiliated lenders during our evaluation period, which are not included in the table. The substantial majority of these loans (97%) originated in middle- and upper-income census tracts. As noted in the Scope of Review, reportable loans purchased from affiliates were deducted because they were also reported as originations by affiliates.

**Borrowers' Profile**

Fleet's HMDA reportable lending shows good penetration among borrowers of different income levels. In 1996, the bank's origination of home purchase and home improvement loans to low- and moderate-income borrowers approximated or exceeded the total market's distribution. However, Fleet's percentage of loans to low-income borrowers was substantially below the percentage of low income families within the assessment area. This is a result of the high percentage (12 percent) of households that are below the poverty level and the high cost of housing in this area.

Based on 1996 aggregate HMDA data for the New York City CMSA, Fleet ranked second in home purchase loans to both low-income and moderate-income borrowers. The bank's market share among borrowers from these income categories is even more noteworthy given that Fleet ranked fifth in market share for all borrowers combined. In addition, Fleet's success among low-and moderate-income borrowers reflects the market's responsiveness to the bank's affordable home purchase loan products.

The following table shows the distribution of the bank's HMDA reportable lending (by product) to borrowers of different income levels within the New York City CMSA. For comparative purposes, the table includes the percentages of families for each income level within the assessment area based on 1996 and 1997 U.S. Census Data.

**New York City CMSA**

HMDA Lending to Individuals by Income Category				
Income Category and Loan Products	Percentage of Loans made by Fleet and the total market to individuals in each income category			Percentage of Families in each income category
	Total Market Activity 1996	Fleet Bank Activity		
		1996	1997	
<i>Low Income</i>				
Purchase	3.1%	5.2%	4.7%	22%
Refinance	4.7%	3.6%	3.6%	
Improvement	8.6%	9.7%	8.5%	
<i>Moderate Income</i>				
Purchase	15.0%	23.5%	22.2%	17%
Refinance	14.7%	12.6%	10.8%	
Improvement	17.4%	18.6%	17.6%	
<i>Middle Income</i>				
Purchase	28.1%	28.9%	27.5%	22%
Refinance	24.8%	25.4%	20.1%	
Improvement	28.5%	26.2%	24.7%	
<i>Upper Income</i>				
Purchase	48.0%	41.5%	45.1%	39%
Refinance	47.1%	53.1%	34.5%	
Improvement	41.5%	36.9%	39.0%	

Percentages do not equal 100% when income level of applicant was not obtained.

## Small Business Lending

Fleet was very responsive to the credit needs of its assessment area through its origination of small business loans. The majority of the bank's small business loan originations were to businesses located in moderate and middle income census tracts. The percentage of Fleet's originations in low income census tracts was reasonable when compared to the percentage of businesses located within low income tracts. Also, 1996 market data for the New York City CMSA shows that on aggregate, 3 percent of all reportable small business loan originations were in low income census tracts and 13.5 percent in moderate income census tracts.

The following table shows the total number and dollar volume of small business loans originated within the New York City CMSA.

### New York City CMSA

Small Business Lending by Census Tract Category 1996-1997					
Tract Category	Percentage of lending in each income tract category				Percentage of assessment area businesses in each tract category
	Number of Loans		Loan Dollars		
	Count	Percent	\$(000s)	Percent	
Low Income	360	3.0%	\$ 60,200	3.1%	5%
Moderate Income	1,735	14.4%	298,960	15.4%	15%
Middle Income	5,668	46.8%	914,521	46.9%	41%
Upper Income	4,322	35.8%	673,688	34.6%	38%
<b>All Tracts</b>	12,085	100.0%	\$1,947,369	100.0%	99%

As shown in the table, a substantial majority (66 percent) of Fleet's small business loans were for amounts less than \$100 thousand. In addition, 43 percent of the bank's small business originations were to firms with annual revenues less than \$1 million. These percentages are reasonably consistent with 1996 aggregate market data for small business loans in the CMSA which show 86 percent of loans less than \$100 thousand and 46 percent were to businesses with revenues less than \$1 million.

**New York City CMSA**

Small Business Loans by Size of Loan and Revenue of Business: 1996-1997						
Loan Size	Total Small Business Lending Activity		Small Business Lending to Businesses with Annual Revenues less than \$ 1 Million			
	# Loans	\$(000s) Amount	# Loans	Percent	\$(000s) Amount	Percent
< \$100,000	8,136	\$ 291,750	4,518	85.5%	\$177,162	41.6%
\$100,000 - \$250,000	1,806	331,381	440	8.3%	74,676	17.5%
\$250,000 - \$1,000,000	2,282	1,310,966	322	6.2%	174,296	40.9%
<b>Total</b>	12,224	\$1,934,097	5,280	100.0%	\$426,134	100.0%

**Consumer Lending**

The geographic distribution of consumer loans shows Fleet has successfully penetrated low- and moderate-income areas, but at much lower levels than other areas. Bank supplied information indicates that the number of consumer loan originations in low- and moderate-income census tracts was low in comparison to originations in middle- and upper-income census tracts. However, because banks are not required to report consumer loan data under the revised CRA, information needed to conduct comparative market analysis is not readily available.

**Consumer Loans by Geographic Area  
New York City CMSA - 1996 & 1997**

Consumer Loans	Geographic Type Census Tracts				
	Total	Low	Mod	Mid	Upper
\$ Amount (000's)	\$1,410,331	\$26,557	\$151,872	\$669,937	\$561,965
Number of Loans	173,119	5,034	25,034	91,246	51,805
% of Census Tracts covered	97%	94%	98%	98%	97%
Number of Loans per thousand persons	10	3	8	13	11

During the evaluation period, Fleet achieved a good distribution of consumer loans by borrower income within the New York City CMSA. Based on the number of loans per family, the volume of loans originated to low- and moderate-income borrowers was greater than the volume of originations to middle- and upper-income borrowers. Also, moderate income borrowers received the highest penetration of consumer loan originations

**Consumer Loans by Borrower Income \***  
**New York City CMSA - 1996 & 1997**

Consumer Loans	Borrower Income					
	Total	Low	Mod	Mid	Upper	NA
\$ Amount (000's)	\$1,413,024	\$154,633	\$268,060	\$296,284	\$511,618	\$182,429
Number of Loans	173,499	31,621	40,075	30,785	30,963	40,055
Number of Loans per thousand families	40	34	54	33	18	---

\*Credit decisions for consumer loans are frequently based on the income of a single applicant and are not always reflective of the total family income.

**Community Development Lending**

Fleet is an active community development lender in the New York City CMSA and has made a high number of loans to support community development. Nearly all of the bank's community development loan activities are located in this area, which includes New York City, Long Island, northern New Jersey, and central New Jersey. Twenty-nine of the bank's 30 community development loans were made in this area. They amounted to \$126 million.

Throughout the New York and Long Island portion of the CMSA, Fleet originated community development loans that resulted in more than 1,700 units of housing targeted to low- and moderate-income individuals. The bank participated in the development of affordable housing through programs supported by the New York City Housing Preservation Department, the New York City Housing Partnership, the Neighborhood Entrepreneur Program, and the Homeworks Program. On a broader geographical basis, the bank provides part of the financing to a national corporation that supports the Low Income Housing Tax Credits program throughout the country, including the bank's assessment areas. Fleet also makes loans to local for-profit developers for activities that promote economic development.

The following is a partial listing of community development loans which demonstrate Fleet's role in the New York area during this examination period.

- A \$20 million (50%) of a \$40 million revolving warehouse facility to support national Low Income Housing Tax Credits syndication efforts. Uses of this facility include the origination of pre-development loans to tax credit projects, and loans to tax credit funds to fund equity payments to the operating partnerships in which the company invests.
- A \$13.8 million in construction funding for the continued expansion of a large retail center located in the Baychester area (a low- and moderate-income area) of the Bronx. The center will eventually encompass 71 acres. The lack of large land parcels has limited retail development in

the Bronx, and this development is considered to be the only “suburban-style” shopping center in the borough, with its large variety of retailers, movie theater, and on-site parking.

- A \$13.1 million construction loan for the renovation of 12 buildings in East Harlem, which will result in 133 units of affordable rental housing for low- and moderate-income tenants. The loan is part of the New York City Housing Partnership and City of New York Neighborhood Enterprise Program. Both agencies support the development and rehabilitation of housing for low- and moderate-income individuals and families.
- A \$9.7 million construction loan for the renovation of six buildings in West Harlem, which will result in 104 units of affordable rental housing for low- and moderate-income tenants. The loan is also part of the New York City Housing Partnership and the Neighborhood Entrepreneur Program.
- An \$8 million construction loan in partnership with the city’s Homeworks program to rehabilitate 29 vacant city-owned, 1-4 family brownstone units. The program was set up to provide for home ownership in low-and moderate-income communities in the city.
- A \$2.6 million construction loan for a Low Income Housing Tax Credits project to provide 54 units of low-income housing in East Harlem through the renovation of three vacant buildings. The project was developed under the auspices of the New York City Housing Partnership Participation Loan Program in a modified format. The program was designed to allow building owners in targeted areas to rehabilitate buildings with a partially subsidized construction loan. Rent levels on the apartments are controlled by the City. The new modified program is now to be known as the Tax Exempt Vacant Building Program.

In the New Jersey portion of the New York/New Jersey CMSA, Fleet’s financing of affordable housing includes participation with the New Jersey Housing and Mortgage Finance Authority and several private organizations or developers. These loans have resulted in the construction of more than 700 units of affordable housing targeted to low- and moderate-income individuals, funding to assist in the revitalization of several low- or moderate-income areas, and the construction of a vocational training center that offers special programs to low-income individuals who seek to upgrade their skills.

The following is a partial listing of loans which demonstrate Fleet’s community development role in New Jersey area during this examination period.

- A \$3 million construction loan to a nonprofit entity in northern New Jersey to construct a 61-unit apartment complex for low- and moderate-income senior citizens.
- A \$2.8 million construction loan to build 125 units of housing to be occupied by low- and moderate-income residents, a day care facility, and 15,000 square feet of retail space. The project is part of the Low Income Housing Tax Credits program and is supported by a \$10 million equity investment from a private company.

- A \$1.6 million construction loan to build 50 units of housing to be occupied by low- and moderate-income residents. This project is part of the Low Income Housing Tax Credits program and is supported by a \$1.3 million equity investment from a private company.
- A \$2.0 million construction loan to build a vocational training facility that will provide basic skills remediation, specific life skills development, social services delivery, career counseling, job referral, and placement assistance to low-income residents of Newark.

## **INVESTMENT TEST**

Fleet has an excellent record of providing community development investments in this part of its assessment areas. Virtually all of the bank's qualified investments benefit the assessment areas in the New York City CMSA. Approximately, \$72.1 million of Low Income Housing Tax Credits and \$2 million of the qualified grants and contributions benefit this area.

## **SERVICE TEST**

Fleet's delivery system is accessible to substantially all portions of its assessment areas in the New York City CMSA. The bank maintains 319 branch offices and 736 ATMs at 501 locations within the CMSA. The ATM locations include the branches and remote, or offsite, ATMs. Fleet has identified its network of proprietary ATMs, Telephone Answer Center and WorkPlace Banking as alternative ways to deliver banking services.

Fifty-eight branches (18 percent) and 74 ATMs at 108 locations (31 percent) are in low- or moderate-income census tracts. Low- and moderate-income census tracts comprise 27 percent of all census tracts, and 27 percent of the households live in these census tracts. During the evaluation period, no branches were opened and 28 branches were consolidated with other offices. Three of the consolidated offices were in moderate income census tracts.

Throughout the assessment areas in the CMSA, Fleet employees volunteer and serve on boards and committees of community organizations. Among the many organizations are Neighborhood Housing Services, Long Island Development Corp., and Acorn Housing. This participation includes involvement at the highest levels of the bank. Furthermore, the bank offers each employee two days per year of paid time to participate in community development, charitable or educational activities. Many of these activities involved extending technical or managerial assistance to various groups or organizations that qualify as community development services. Workshops to educate the public on various aspects of Fleet's products and services or general banking and business issues were presented numerous times throughout the evaluation period.



## State Rating

**CRA Rating for State of New Jersey:**      Satisfactory

**The lending test is rated:**                      High Satisfactory

**The investment test is rated:**                      Low Satisfactory

**The service test is rated:**                              Low Satisfactory

- ▶ Lending patterns reflect even geographic distribution.
- ▶ Loans and investments are low compared with the bank's other markets because of the limited market presence in southern New Jersey.
- ▶ Market share for home purchase loans among both low- and moderate-income borrowers is slightly greater than the bank's overall share.
- ▶ Investments specific to the area are limited, but consistent with the market presence.
- ▶ Delivery systems are generally accessible to all portions of the assessment area and community development services are provided.
- ▶ There is significant ATM presence in low- and moderate-income census tracts.

### Description of Institution's Operations in New Jersey

This area includes the seven southern counties of New Jersey and excludes the rest of the state, which is part of the New York City CMSA. The population is 1.6 million, which represents 9 percent of the population of the bank's entire assessment area. This area also accounts for 6 percent of the bank's HMDA reportable and small business lending, and 8 percent of consumer lending. Of the area's 432 thousand families, 35 percent are low- or moderate-income. The housing units are 61 percent owner occupied. The business focus is similar to that of the rest of the bank and 23 branches serve the southern portion of the state.

Fleet generally ranks fourth in market share in northern and central New Jersey. However, in the southern New Jersey assessment area the bank does not rank among the top ten banks in deposit market share in two of the three MSAs, and ranks fourth in the Atlantic City/Cape May MSA. The Fleet name, as a result of the 1996 acquisition, is still relatively new in this market. CoreStates, PNC, First Union, and Summit are among the larger competitors in the southern part of the state, and local institutions are also significant lenders in this market.

New Jersey is the most densely populated state in the country, although the southern New Jersey is less so. The economy in New Jersey has improved in the past year, primarily because of its growing services, trade, and communication and transportation industries. The state enjoys the second highest per capita income in the country. However, some demographic trends suggest longer term weaknesses. The jobless rate is only 5.5 percent, but the population has suffered a net migration loss. The state's population growth is half the national average. This, combined with one of the highest cost structures in the Northeast, suggests that economic performance will under perform the nation as a whole.

The Southern New Jersey assessment area median family income is \$49,700. There are 426 census tracts, of which 5 percent are low income, 13 percent moderate income, 57 percent middle income, and 23 percent upper income. Sixty-one percent of the housing units are owner occupied and 14 percent are vacant. Demographic data shows there are 432 thousand families, with 14 percent of these living in low- and moderate-income census tracts. The median cost of housing is \$109 thousand. Eight percent of the population is below the poverty level. There are 71 thousand small businesses in the assessment area, and 21 percent are in low- and moderate-income census tracts.

## **Conclusions about Performance Tests in New Jersey**

### **LENDING TEST**

#### **Lending Activity**

Fleet offers a variety of real estate, small business, and consumer loans throughout the assessment area. The volume of originations and purchased loans demonstrates that the bank has been responsive to the assessment area's credit needs.

During 1996 and 1997, in the southern New Jersey market the bank originated 927 HMDA reportable loans for \$65 million. Of these, 342 were home purchase loans; 394 were refinancing loans; and 191 were home improvement loans. No multifamily housing loans were made in this market and there is not much demand for this type of lending. In 1996, Fleet ranked 27th among all mortgage lenders in the southern New Jersey assessment area. During the same period the bank originated 13,614 consumer loans for \$123 million within the assessment area, and 763 reportable small business loans for \$89 million. During 1997, the volume of HMDA reportable lending decreased as the bank concentrated on merging operations of the predecessor banks. Fleet is a leading small business and consumer lender, and the level of lending in southern New Jersey is responsive to local credit needs, considering the bank's relatively small market presence.

#### **Geographic Distribution**

Fleet has reasonably distributed HMDA reportable loans throughout southern New Jersey. The distribution of these loans closely resembles the aggregate market distribution and the potential market. The relative lack of lending in low income census tracts is partly attributable to the fact that there are

only 21 low income census tracts, containing 5 percent of the area’s families. Eight percent of the population is below the poverty level and most of them live in low income census tracts.

The lower level of lending in this area reflects the bank’s lack of market presence compared to its other markets. The following table shows the percentage of loans made by the bank and all lenders in the various income levels of census tracts, and the population and owner occupied housing units in these tracts. As noted above, the number of low- and moderate-income census tracts in the assessment area is comparatively small, and the percentage of families and owner-occupied housing units in low-income census tracts is very low.

**Southern New Jersey Assessment Area**

HMDA Lending by Income Tract Category						
Tract Category	The percentage of Loans made in the assessment area by Total Market and Fleet			Percentage of population, families and owner occupied housing units from each tract category		
	Total Market Activity 1996	Fleet Lending Activity		Population	Families	Owner Occupied Housing Units
		1996	1997			
<i>Low Income Tracts</i>						
Purchase	0.8%	0%	0%	4.5%	3.9%	1.9%
Refinance	0.9%	0%	0.4%			
Improvement	6.2%	0%	0%			
<i>Moderate Income Tracts</i>						
Purchase	6.4%	5.3%	8.6%	11.4%	10.3%	8.3%
Refinance	6.0%	5.3%	3.1%			
Improvement	7.4%	9.9%	8.0%			
<i>Middle Income Tracts</i>						
Purchase	59.9%	56.8%	55.2%	58.3%	59.1%	60.7%
Refinance	60.0%	62.4%	61.3%			
Improvement	57.1%	59.3%	61.0%			
<i>Upper Income Tracts</i>						
Purchase	32.3%	36.8%	36.2%	25.7%	26.7%	29.1%
Refinance	31.7%	31.6%	35.2%			
Improvement	27.7%	30.8%	31.0%			

Percentages may not total 100% because an insignificant number of loans were not identified by census tract.

**Borrower Profile**

Fleet has good penetration among borrowers of different income levels. The following table shows that in 1996 the bank’s percentage of origination of home purchase loans to low- and moderate-income

borrowers significantly exceeded the total market's distribution and the percentage of these families in the market. Refinancing and home improvement lending was similar to the overall market's.

Although the bank ranked 27th among home purchase lenders in the market, 1996 aggregate market data shows that it ranked 17th in lending to low income borrowers and 21st to moderate income lenders. The higher lending rates to low- and moderate-income borrowers reflects the success of the bank's affordable home purchase loan product.

**Southern New Jersey Assessment Area**

HMDA Lending to Individuals by Income Category				
Income Category and Loan Products	Percentage of Loans made by Fleet and the total market to individuals in each income category			Percentage of Families in each income category
	Total Market Activity 1996	Fleet Bank Activity		
		1996	1997	
<i>Low Income</i>				
Purchase	5.1%	11.1%	7.2%	3.9%
Refinance	5.3%	3.0%	2.7%	
Improvement	13.9%	12.1%	8.0%	
<i>Moderate Income</i>				
Purchase	20.3%	35.8%	24.3%	10.3%
Refinance	16.0%	13.5%	10.3%	
Improvement	16.7%	17.6%	20.0%	
<i>Middle Income</i>				
Purchase	29.8%	22.1%	28.9%	59.1%
Refinance	26.9%	28.6%	19.9%	
Improvement	27.7%	34.1%	32.0%	
<i>Upper Income</i>				
Purchase	42.0%	30.0%	39.5%	26.7%
Refinance	44.3%	44.4%	31.0%	
Improvement	39.3%	35.2%	34.0%	

Percentages do not equal 100% when income level of applicant was not obtained.

**Small Business Lending**

As shown in the following table, the bank's distribution of small business lending is reasonably consistent with the numbers of small businesses in each income category of census tracts. The table also suggests that in low- income census tracts the bank's percentage of lending is below the rest of its performance. We recognize that the potential market in this sector is comparatively small. Again, the

volume of lending is much lower than in the bank's other markets because of its much smaller market presence.

**Southern New Jersey Assessment Area**

Small Business Lending by Census Tract Category 1996-1997					
Tract Category	Percentage of lending in each income tract category				Percentage of small businesses in each tract category
	Number of Loans		Loan Dollars		
	Count	Percent*	\$(000s)	Percent*	
Low Income	5	0.7%	\$ 475	0.6%	3.2%
Moderate Income	102	13.6%	12,293	13.7%	10.5%
Middle Income	386	51.7%	46,771	52.1%	55.2%
Upper Income	254	34.0%	30,175	33.6%	30.1%
<b>All Tracts</b>	747	100.0%	\$89,714	100.0%	99.0%

\* Census Tracts for four loans amounting to \$739 were not ascertained.

Fleet is an active small business lender in southern New Jersey. The following table shows the bank's commitment to originate loans with comparatively small dollar amounts to meet the credit needs of small businesses. As shown in the table, a substantial majority of loans (73 percent) were for amounts less than \$100 thousand, especially to businesses with annual revenues of less than \$1 million. These loans are often more difficult and expensive to document, but the results reflect management's commitment to meet this identified credit need. The data in the table also shows that 47 percent of all small business loans were to businesses with less than \$1 million in annual revenues. These percentages are consistent with 1996 aggregate market data for small business loans in the assessment area which show 87 percent of loans less than \$100,000 and 48 percent were to businesses with revenues less than \$1 million.

**Southern New Jersey Assessment Area**

Small Business Loans by Size of Loan and Revenue of Business: 1996-1997						
Loan Size	Total Small Business Lending Activity		Small Business Lending to Businesses with Annual Revenues less than \$ 1 Million			
	# Loans	\$(000s) Amount	# Loans	Percent	\$(000s) Amount	Percent
< \$100,000	546	\$21,192	293	83.7%	\$10,676	41.2%
\$100,000 - \$250,000	121	21,451	37	10.6%	5,893	22.7%
\$250,000 - \$1,000,000	84	42,810	20	5.7%	9,351	36.1%
<b>Total</b>	751	\$85,453	350	100.0%	\$25,920	100.0%

**Consumer Lending**

The following table shows that Fleet’s consumer lending program has made excellent penetration of the various income categories of census tracts in southern New Jersey. Loans have been made in 98 percent of all census tracts, including 100 percent of the low income tracts. Lending is consistent among moderate, middle and upper income census tracts, and somewhat lower in lower income census tracts (as reflected by the number of loans originated per capita.)

**Consumer Loans by Geographic Area  
Southern New Jersey - 1996 & 1997**

Consumer Loans	Geographic Type Census Tracts				
	Total	Low	Mod	Mid	Upper
\$ Amount (000's)	\$123,425	\$1,993	\$10,320	\$74,799	\$36,313
Number of Loans	13,614	362	1,527	8,553	3,172
% of Census Tracts covered	98%	100%	93%	99%	97%
Number of Loans per thousand persons	8	5	8	9	8

Consumer lending distribution among borrowers reflects good penetration at all income levels. The lending volume is high given the bank’s relative market position. As measured by the Number of Loans per Family, the following table shows that proportionately more lending is made to moderate and upper income borrowers. However, loans made to low and middle income borrowers are reasonably consistent with the total lending levels. Proportionately, most loans are made to moderate income borrowers, and the least are made to middle income borrowers.

**Consumer Loans by Borrower Income \***  
**Southern New Jersey - 1996 & 1997**

Consumer Loans	Borrower Income					
	Total	Low	Mod	Mid	Upper	NA
\$ Amount (000's)	\$123,428	\$12,621	\$23,181	\$28,269	\$43,195	\$16,162
Number of Loans	13,616	1,954	2,974	2,657	2,596	3,485
Number of Loans per Family	31	26	38	25	35	---

\* Credit decisions for consumer loans are frequently based on the income of a single applicant and are not always reflective of the total family income.

### **Community Development Lending**

Fleet has made one community development loan in this assessment area during the current evaluation period. In this market there are fewer opportunities for this type of lending, and given the bank's presence, we consider this loan to be responsive to local community development credit needs. The loan is a \$3.5 million construction loan in Burlington County to build 128 housing units for low-and moderate-income individuals who are elderly or disabled. The project is part of the Low Income Housing Tax Credits program and is supported by a \$5.1 million equity investment from two other housing development organizations: Jersey Counseling and Housing Development, and the Enterprise Social Investment Corporation. Jersey Counseling and Housing Development is a HUD-certified New Jersey nonprofit corporation that provides housing counseling to eight South Jersey counties. The goals of the organization are to provide housing opportunities for low- and moderate-income groups and to revitalize and strengthen neighborhood communities through targeted social and economic development. The Enterprise Social Investment Corporation is a subsidiary of the Enterprise Foundation which was established in 1980. The Enterprise Social Investment Corporation attracts corporate investments for the production of low-income housing through individual projects and the organization of national and regional equity funds.

### **INVESTMENT TEST**

Fleet has a satisfactory record of providing community development investments in this part of its assessment areas. The bank has provided approximately, \$2.1 million of Low Income Housing Tax Credits and \$77,000 in qualified grants and contributions that benefit this area. While, the qualified investments that benefit this part of the bank's assessment areas are small in relation to the bank's overall level of qualified investments; it must be recognized that the bank's presence in this market is also small in relation to its overall market presence. Approximately 6 percent of the bank's assets are deployed in this area. The tax credits and grants represent about 3 percent and 4 percent, respectively, of the bank's totals.

## **SERVICE TEST**

Fleet's delivery system is accessible to substantially all portions of the assessment area. The bank maintains 23 branch offices and 100 ATMs at 58 locations within southern New Jersey. The ATM locations include the branches and 35 remote, or offsite, ATMs. Fleet has identified its network of proprietary ATMs, Telephone Answer Center and WorkPlace Banking as alternative ways to deliver banking services.

Five branches (22 percent) and 19 ATMs at seven locations (37 percent) are in low- or moderate-income census tracts. Low- and moderate-income census tracts comprise 18 percent of all census tracts, and 15 percent of the households live in these census tracts. During the evaluation period, no branches were opened and a branch in a middle income census tract was consolidated with another office.

While its market presence in southern New Jersey is modest, Fleet employees volunteer and serve on boards and committees of community organizations. Among the organizations is The West Ward Partnership Corp. in Trenton, Family Services Association in Atlantic City, and the Family Services Association. The bank offers each employee two days per year of paid time to participate in community development, charitable or educational activities. Many of these activities involved extending technical or managerial assistance to various groups or organizations that qualify as community development services. Workshops to educate the public on various aspects of Fleet's products and services or general banking and business issues were presented numerous times throughout the evaluation period.



## Appendix

### SCOPE OF EXAMINATION

<b>Time Period Reviewed</b>	July 30, 1996 to February 17, 1998	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Fleet Bank, National Association Jersey City, N.J.		HMDA reportable, small business, consumer, and community development
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Fleet Mortgage Group	Bank affiliate	Home purchase mortgages
Fleet National Bank, Boston, MA.	Holding co. subsidiary	HMDA reportable and community development
Fleet Community Development Corp.	Holding co. subsidiary	Community development loans
Fleet Securities	Holding co. subsidiary	Investments