



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Corporate Decision #97-94
November 1997

October 22, 1997

Mr. Joseph R. Bielawa
Vice President and Assistant
General Counsel
Legal Department
The Chase Manhattan Bank
270 Park Avenue, 39th Floor
New York, New York 10017-2070

Re: Proposal by Chase Manhattan Bank USA, National Association, Wilmington, Delaware to purchase and assume certain deposit liabilities of The Chase Manhattan Bank, New York, New York
Application Control Number: 97-NE-02-0039

Dear Mr. Bielawa:

This is to inform you that on October 22, 1997, the Office of the Comptroller of the Currency ("OCC") approved the proposal for Chase Manhattan Bank USA, National Association, Wilmington, Delaware, to purchase and assume certain liabilities of The Chase Manhattan Bank, New York, New York.

This approval is granted based on a thorough review of all information available, including commitments and representations made in the application, the purchase and assumption agreement and those of your representatives.

As discussed with you earlier, the OCC removed your application from our expedited review procedures in light of comments received from Inner City Press/Community on the Move ("ICP"). Those comments primarily discussed the 1996 data filed under the Home Mortgage Disclosure Act ("HMDA") by Chase and its subsidiaries, and asserted that Chase's lending in low- and moderate income ("LMI") neighborhoods and to minority individuals in a variety of geographical areas is inadequate and violates fair lending laws. As a result, the OCC performed a targeted investigation. Our letter to Matthew Lee, Executive Director of ICP, describing the results of the targeted investigation is incorporated herein by reference with a copy attached for your convenience.

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Please advise our Northeastern District Office in advance of the desired effective date for the purchase and assumption so that the OCC may issue the necessary certification letter. The effective date of the purchase and assumption must be on or after the approval date.

We will not issue a letter certifying consummation of the purchase and assumption until we have received:

1. A Secretary's Certificate for each applicant institution, certifying that a majority of the board of directors has agreed to the proposed purchase and assumption,
2. An executed purchase and assumption agreement with Articles of Association for the resulting bank attached.

If the transaction is not consummated within one year from the approval date, the approval shall automatically terminate unless the OCC grants an extension of the time period.

All correspondence regarding this application should reference the application control numbers. If you have any questions concerning this letter, please contact Senior Corporate Analyst Linda Leickel in our Northeastern District Office at (212) 790-4055 or me at (202) 874-5060.

Sincerely,

/s/

Troy L. Dixon
Director for Corporate Activity
Bank Organization and Structure

Attachment



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

ATTACHMENT

October 22, 1997

Matthew Lee, Executive Director
Inner City Press/Community on the Move
1919 Washington Avenue
Bronx, New York 10457

Re: Business reorganization application from Chase Manhattan Bank USA, National Association, Wilmington, Delaware, to acquire and assume certain liabilities of The Chase Manhattan Bank, New York, New York
Application Control Number: 97-NE-02-0039

Dear Mr. Lee:

This is to notify you that the Office of the Comptroller of the Currency ("OCC") today approved the application from Chase Manhattan Bank USA, National Association, Wilmington, Delaware ("Chase USA") to acquire and assume certain liabilities of The Chase Manhattan Bank, New York, New York ("Chase NY"). In reaching this decision, the OCC investigated and considered your comments dated August 20, 1997 and September 22, 1997, which raised certain issues about the performance of the institutions involved and, in some cases, their affiliates. As you know, we removed this application from our expedited review procedures in light of the issues you raised.

The transaction before us involves a proposal by Chase USA to assume approximately \$685 million in deposit liabilities from an affiliated bank. The Bank Merger Act requires that the assumption of deposit liabilities be subject to an application. The deposit accounts covered by this application are held by non-resident U.S. citizens and non-resident aliens which can be serviced from either Chase NY or Chase USA. The transaction will have no impact on product offerings or customer services, or on any domestic banking activity of either bank.

The OCC considers the convenience and needs of the community and takes into account the applicants' records of helping to meet the credit needs of their entire communities, including low- and moderate income ("LMI") neighborhoods, when considering applications filed under the Bank Merger Act. In fulfilling that responsibility and in analyzing the comments you submitted, the OCC reviewed 1996 HMDA data, the CRA records of the applicants, and a recent Federal Reserve Board Order of September 29, 1997 ("FRB Order") approving another internal reorganization of Chase's affiliated banks, among other information.

Our review of the issues you raised did not reveal any factors that would support denial or conditional approval of the application. We will, however, continue to monitor Chase USA's performance as part of our ongoing supervision. The OCC regularly performs fair lending, CRA and compliance examinations of the bank and should we find any matters of concern, we will take appropriate supervisory action.

We would like to respond to specific issues you raised in connection with this filing. We have grouped your comments into the following general categories: 1) disparities in the market penetration rates and approval and denial rates for minorities and LMI census tracts; 2) branch closings by Chase NY; 3) limited purpose designations; and 4) and adverse action notices relating to New York City Housing Authority Partnership loans and Chase NY. First, however, we would like to summarize some of the pertinent prior CRA evaluations of the applicants.

Prior Reviews

The most recent public CRA evaluation, completed in 1995, by the Federal Reserve Bank of New York, discloses that the predecessor to Chase NY has an "Outstanding" record of serving the credit needs of its entire community. Chase NY was formed, in part, by the merger of Chemical Bank and The Chase Manhattan Bank of New York, approved in 1996. Subsequently, the FRB considered Chase NY's CRA performance in connection with the October 1996 approval of the merger of Chemical Bank, New Jersey, National Association, Morristown, New Jersey ("Chemical NJ") into Chase NY. The last OCC evaluation of Chemical NJ in 1995 reflected a "Satisfactory" record of performance. The combined Chase NY has not been publicly evaluated since the 1996 mergers. However, the recent FRB Order approving The Chase Manhattan Corporation's ("Chase HC") acquisition of Chase Manhattan Bank and Trust Company, National Association, Los Angeles, California, indicates that the FRB also considered supervisory information concerning Chase NY's record of CRA performance developed during an examination which commenced in March 1997 (the formal results of which are not publicly available at this time). Thus, as recently as last month, the FRB concluded that the CRA performance of Chase HC was not inconsistent with approval of an internal reorganization.

The OCC reviewed Chase USA's CRA record in late 1996 in connection with the merger of Chase Manhattan Bank USA, National Association, Jericho, New York, into Chase USA. Our rating of the predecessor bank was "Satisfactory." The new bank has not received a formal public evaluation. In approving the merger in 1996, we found that approval was consistent with the requirements of the CRA. We also reviewed Chase HC's CRA performance in connection with our October 1996 approval of the merger of Chemical Bank FSB, Palm Beach, Florida into The Chase Manhattan Private Bank (Florida), National Association, Tampa, Florida, including our review of numerous issues raised by you in connection with that transaction.

Disparities in Penetration Ratios and Approval and Denial Rates for Minorities and LMI Census Tracts

In your comments, you expressed concern about the applicants' records of lending to minorities throughout the country, and provided an analysis of the 1996 HMDA data for the applicants in many markets throughout the country to support that concern. Staff not involved in the most recent examination of the predecessor of Chase USA reviewed this data, as did the FRB, and found, as you did, disparities in the denial rates for minority applicants in relation to white applicants. Because these disparities raise concerns (but do not, by themselves, demonstrate illegal discrimination), our staff also reviewed the prior examination results. In our prior examinations, we found that disparities existed, but we found no evidence that the bank's policies and practices were intended to discourage applications for credit. Nor did the examinations find violations of the substantive provisions of laws or regulations concerning discriminatory or other illegal practices. We note that in its September 29 Order, the FRB took into account information from its current examinations and concluded that the record supported approval of the transaction it was considering.

You expressed similar concerns about the disparities evident in 1996 HMDA data for the applicants' lending records within LMI census tracts in New York City and Connecticut. This issue was treated by both the FRB and OCC the same way we treated the concerns about disparities in approval and denial rates for minorities. We found that the bank's policies and practices do not evidence any intent to discourage applications for credit or reflect any discriminatory or other illegal practices. In addition, we determined that Chase HC and its affiliates are reporting approval and denial ratios that are consistent with others lenders in these markets.

In sum, we conclude that the information regarding disparities in approval and denial rates do not evidence discrimination or other illegal practices that should adversely affect our action on the transaction before us. Such information is appropriate for further monitoring, however, and we will do so as part of our ongoing supervision.

Branch Closings by Chase NY

The state-chartered lead bank closed several branches throughout New York City in connection with the Chase/Chemical merger, an issue which you have previously raised with us and the FRB. Our most recent previous review of the Chase NY's record of opening and closing branches was performed in connection with the merger of Chemical Bank FSB into The Chase Manhattan Private Bank (Florida), National Association in late 1996. At that time, we concluded that Chase NY had a satisfactory record of opening and closing offices and in providing services at its offices.

Most recently, the FRB addressed the bank's current branch closing record, based on current examination information, in its September 29 Order, and found that the 18 branches you indicated the bank planned to close did not involve any branch providing retail services in an LMI area. Further, it is our understanding that Chase operates more branches in the Bronx than any other bank. In addition, it will be opening a branch in East Harlem to serve a LMI community in conjunction with the opening of a Pathmark supermarket. Consequently, we conclude that Chase NY's record of opening and closing branches and providing services at its offices is consistent with approval of this transaction.

Chase USA's Limited Purpose Designation

We reviewed your concerns about Chase USA's limited purpose designation for CRA. The OCC granted a limited purpose designation to Chase USA when the then-recently converted bank's business was limited to nationwide open-end unsecured credit offerings. As Chase USA's product mix was to significantly change as a result of the merger of Chase Manhattan Bank USA, National Association, Jericho, New York, into Chase USA, we revoked the limited purpose designation as of the effective date of the merger (December 1, 1996), allowing the bank to continue to be evaluated on that basis for one year (until December 1, 1997), as provided for in our CRA regulation at 12 CFR 25.25.

You also expressed concern that a new national bank subsidiary of Chase HC in California would be approved as a "limited purpose" or "wholesale" bank. Please be advised that we have not received a request from the bank for such a designation. If a request is received, we will review and act on it based on its merits consistent with the definitions of "limited purpose" and "wholesale" contained in the applicable regulation at 12 CFR 25.12.

Please be assured that a bank that has been approved by the OCC as a "limited purpose" or "wholesale" bank continues to have a CRA obligation and will be evaluated using the "community development test" described in the CRA regulation. In addition, a "limited purpose" or "wholesale" designation for one bank in a holding company does not necessarily impact other banks in the holding company.

Adverse Actions on the New York City Housing Partnership Loans

The matter of the reporting and handling of loans by the New York City Housing Partnership ("NYCHP") was addressed in our October 1996 decision and again addressed in the FRB's latest Order of September 29, 1997. You continue to be dissatisfied with the resolution of this issue and believe that it represents a violation of law. At issue was whether adverse action notices were required in connection with applicants deemed ineligible for the program, and if so, whether NYCHP or the participating bank (e.g., Chase NY) would be responsible for providing adverse action notices. The decision to grant loans under the program is NYCHP's, and we understand that NYCHP agreed to send the adverse action notices. Accordingly, we have not pursued this matter further.

Other Matters

In your September 22, 1997 letter, you referenced an EEOC complaint and litigation against Chase for employment discrimination concerning differences in how the company's long-term disability plan treats employees with physical disabilities from those with mental disabilities. The OCC does not have interpretive or enforcement authority over employment discrimination issues. Accordingly, we did not investigate this issue.

Conclusion

After reviewing and investigating the relevant issues you raised, the OCC determined to approve the transaction. Nevertheless, we appreciated your interest in the transaction and your

raising potential issues that warranted our review. If you have any questions, please feel free to call me at (202) 874-5060 or Senior Corporate Analyst Linda Leickel in our Northeastern District Office at (212) 790-4055.

Sincerely,

/s/

Alan Herlands
Director, Licensing Policy & Systems
Bank Organization and Structure