

## **Public Disclosure**

May 17, 1999

# **Community Reinvestment Act Performance Evaluation**

**Chase Manhattan Bank USA, N.A.  
Charter Number: 23160**

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Wilmington, Delaware 19801**

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Washington, DC 20019**

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 USA, NA** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of May 17, 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 this Performance Evaluation. The definitions are intended to provide the reader with 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.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical 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.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA)** - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area 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 the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Limited-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income** - Income levels that are less than 50% of the median family income.

**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 geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is 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 it and half below it.

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

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

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

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 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.

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

## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated Outstanding.

The following table indicates the performance level of **Chase Manhattan Bank USA, NA** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Chase Manhattan Bank USA, NA Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

The major factors that support this rating are:

- Chase USA exhibits excellent responsiveness to the affordable housing and economic development needs of its New Castle County assessment area through its significant level of qualified community development investments and grants. These activities were weighted more heavily when arriving at an overall rating due to the bank’s business approach and designation as a Limited Purpose Bank for part of the evaluation period.
- The Bank has proactively invested in affordable housing and community development projects, often in a leadership position.
- Chase USA is often a leader in providing community development services, and has provided innovative ideas to create or further community development in its New Castle County assessment area.
- The Bank’s home mortgage and community development lending levels overall reflect good responsiveness to the credit needs of the assessment area, including the needs of low- and moderate-income borrowers.

## Description of Institution

Chase Manhattan Bank USA, N.A. ("Chase USA" or "Bank"), headquartered in Wilmington, Delaware is a wholly owned indirect subsidiary of the Chase Manhattan Corporation ("CMC"). CMC is a \$367 billion international banking company with offices and operations in 40 states and over 50 countries. Chase USA was formed in August 1996 with the conversion of the former State-chartered credit card bank in Delaware to a national charter, and the consolidation of most of CMC's national consumer lending businesses into the Bank. Chase USA originates and services residential mortgage loans primarily through its operating subsidiary, Chase Manhattan Mortgage Corporation ("CMMC") located in Edison, New Jersey. In December 1996, the Bank merged with Chemical Bank, Jericho, New York. At the merger date, Chemical Bank's assets totaled \$9.4 billion. In November 1997, Chase USA acquired from Bank of New York substantially all of its credit card portfolio totaling approximately \$3.9 billion in outstanding receivables.

Chase USA's overall activities focus on nationwide retail lending. The Bank offers a variety of consumer products such as credit cards, unsecured lines of credit, residential mortgages, auto loans, manufactured housing loans and home equity loans and lines of credit.

The following table is intended to provide a perspective on Chase USA's capacity to help meet the needs of its assessment area. The financial information represents the consolidated accounts of Chase USA and its wholly owned subsidiaries.

Table 1: Financial Information (000's)

	12/31/97	12/31/98	3/31/99
Tier 1 Capital	2,392,687	2,963,737	2,811,691
Total Income	3,947,639	4,771,768	1,219,400
Net Operating Income	360,038	422,276	78,691
Total Assets	31,890,108	32,987,895	33,297,138
Managed Assets	48,700,000	51,100,000	51,700,000

Source: Consolidated Report of Condition and Income and Bank reported data.

At December 31, 1998, Chase USA had on-balance sheet loans outstanding of \$26.8 billion, primarily consisting of credit cards totaling 14.2 billion or 54%.

Remaining loans consist of 1-4 Family Residential Mortgages (20%), Home Equity Loans and Lines (13%), Unsecured Lines of Credit (5%), Auto Loans (3%), Manufactured Housing Loans (3%) and Other Loans (2%).

Chase USA sells or securitizes certain credit card, residential mortgage and retail auto loans. In 1997 and 1998, mortgages sold totaled \$28.6 billion and \$48.6 billion, respectively. The Bank securitized credit card receivables totaling \$4.7 billion for 1997 and 1998 combined. At year-end 1997 and 1998, Chase USA had securitized credit card receivables outstanding of \$16.9 billion and \$18.1 billion, respectively. Retail auto loans securitized in both 1997 and 1998 totaled \$6.8 billion. The Bank had securitized retail auto loan receivables outstanding of \$4.6 billion and \$5.2 billion at year-end 1997 and 1998, respectively.

Chase USA solicits deposits nationwide. At December 31, 1998, the Bank's deposit balances totaled \$12.6 billion, including \$4.4 billion in foreign deposits. The Bank does not actively compete in its assessment area for deposits, with less than 1% of total deposits coming from the State of Delaware.

In addition to its main office, Chase USA has a branch office in its New Castle County assessment area. Up until 1997, Chase USA was subject to the Delaware Financial Center Development Act (FCDA). The FCDA prevented the Bank from having more than a single office open to the public for conducting banking business in the State. It also required that the Bank operate in a manner and at a location that was not likely to attract customers from the general public in the State to the substantial detriment of existing banking institutions in the State. The FCDA was amended in 1994 permitting waivers to these restrictions which the Bank applied for and received in April, 1997.

With the lifting of these restrictions, Chase USA did not intend to change its business strategy of focusing on nationwide consumer lending. Additionally, the Bank did not intend to compete in Delaware to the substantial detriment of local financial institutions. Rather, Chase USA sought to better meet the credit needs of its local community through affordable mortgage products and direct community development loans. Chase USA has two mortgage loan offices in Delaware under its subsidiary, CMMC. One office is located within the Bank's assessment area in Newark, and the other is located outside the assessment area in Dover. These offices are staffed with Mortgage Specialists who promote Chase USA's mortgage products to real estate professionals and community organizations among others. All mortgage loan decisions are made by CMMC at its headquarters in Edison, New Jersey.

Chase USA's ability to meet the credit needs of its assessment area under the test for Large Retail Banks is constrained by its non-reliance on traditional branch offices to deliver retail services. The Bank solicits deposits and generates loans on

a nationwide basis primarily through advertisements and direct mail. In addition, the FCDA restrictions described above impacted the Bank's ability to lend within its assessment area during part of 1997. Also, the Bank's designation as a Limited Purpose Bank was revoked effective December 1997, requiring it to change the lending focus for its assessment area during the evaluation period in order to meet the standards for Large Retail Banks. There are no additional known legal or financial factors which have impeded the Bank's ability to help meet the credit needs of its assessment area.

Chase USA's community development lending and investment activities are performed through certain affiliates: CMC, Chase Community Development Corp. (CCDC), Chase Manhattan Bank (CMB), and Chase Manhattan Bank - Delaware (CMB-DE). Residential mortgage lending is conducted through the Bank's direct subsidiary, CMMC. The Bank's financial statements reflect the consolidated accounts of Chase USA and its wholly owned subsidiaries including CMMC. At December 31, 1998, CMMC had total assets of \$10.0 billion or 30% of total assets for Chase USA. For the year ended December 31, 1998, CMMC reported net income totaling \$63.7 million or 9% of total net income reported for Chase USA.

## Scope of the Evaluation

This CRA Performance Evaluation covers the period January 1, 1997 through May 17, 1999, with certain activities reviewed through March 31, 1999 ("evaluation period"). Chase USA was designated a Large Retail Bank on December 1, 1996 for purposes of evaluation under the CRA, with an effective date of December 1, 1997. Prior to December 1, 1996, the Bank held a Limited Purpose designation. As a Large Retail Bank, Chase USA's CRA performance is evaluated under three tests which assess lending, investment and service activities. Since the Bank was not subject to the test for Large Retail Banks during its entire evaluation period, this evaluation places emphasis on the components of the Community Development test for Limited Purpose Banks. At the prior examination dated October 8, 1996, Chase USA received a rating of "Satisfactory."

Chase USA designates New Castle County, Delaware (NCC) as its assessment area, which is in the Wilmington-Newark Metropolitan Statistical Area (MSA 9160). The assessment area complies with CRA guidelines and does not arbitrarily exclude low- and moderate-income areas. The assessment area, including information on community contacts, is further described in Appendix B.

## **Fair Lending Review**

No violations of the substantive provisions of anti-discrimination laws and regulations were identified during 1998 and 1999 fair lending examinations of Chase USA's mortgage subsidiary, CMMC. The examinations focused on separate comparative analyses of approved and declined conventional home purchase loans, and manufactured housing loans. Chase USA maintains sound policies, training programs and control systems to prevent illegal discrimination in the conduct of its mortgage lending activities.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions

The Bank's performance under the Lending Test is rated High Satisfactory.

#### Retail Lending

Chase USA's lending reflects overall good responsiveness to the credit needs of its NCC assessment area. While home mortgage lending levels were adequate for 1997, the constraints described earlier in this evaluation serve as mitigants. Specifically, restrictions on the Bank's ability to solicit lending business in Delaware imposed by the FCDA through April 1997, and the Bank's changed designation to a Large Retail Bank during the evaluation period (effective December 1997). In addition, as a nationwide lender, Chase USA does not rely on local branch offices for soliciting its lending business which puts the Bank at a disadvantage when compared to the lending performance of large local retail institutions in its assessment area.

With Chase USA's changed designation from a Limited Purpose to a Large Retail Bank, it instituted a lending strategy for Delaware including its NCC assessment area, which focuses on extending affordable home mortgages to low- and moderate-income borrowers, and to a lesser extent on small business loans. This strategy is evident in the significant residential mortgage loan growth the Bank experienced from 1997 to 1998 when the total number of loans originated increased from 477 to 1,346 loans. In 1997, Chase USA (along with its subsidiary mortgage company, CMMC), ranked 7<sup>th</sup> in NCC for originations of home purchase and refinance mortgage loans. Unlike Chase USA, the two largest volume lenders in NCC are local institutions with traditional branch office networks. The Bank ranked 12<sup>th</sup> in its assessment area for small business loan originations in 1997. For 1998, small business lending remained relatively stable. Chase USA made a relatively high level of community development loans during the evaluation period which further supports its overall good lending performance.

## **Distribution of Loans by Income Level of the Geography**

### ***Home Mortgage Loans***

This performance criterion measures a bank's performance in lending to all parts of its assessment area, including low- and moderate-income areas. Refer to Tables 2, 4 and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of Chase USA's home mortgage loan originations.

During the evaluation period, Chase USA originated 2,011 home mortgage loans, totaling \$249 million in its NCC assessment area. Of these, 1,359 or 68% were home purchase mortgages totaling about \$163 million. The remaining 652 loans were home refinance mortgages totaling about \$86 million. 1998 was the Bank's strongest year in number of home mortgages granted, and 1999 performance to date is on track to meet or exceed 1998's performance. For CRA purposes, home purchase and home refinance loans are evaluated separately because they reflect different credit needs in the assessment area.

As illustrated in Tables 2 and 4, the Bank's distribution of home purchase and refinance loans among low-, moderate-, middle-, and upper-income areas is compared to the distribution of owner-occupied housing units within these geographic categories. In addition, a comparison is made of the Bank's market share of home purchase and refinance loans in each geographic category to its overall market share for these loans.

The geographic distribution of Chase USA's home purchase loan originations reflects good penetration into low- and moderate-income geographies, with no conspicuous lending gaps identified. Chase USA had a 4% market share of home purchase loans in NCC, ranking it 7<sup>th</sup> among reporting lenders for 1997, which is the most recent market data available. The lenders who surpassed Chase USA were local and national lenders, with the two largest lenders locally based. In low-income geographies, the Bank had a market share of 4.8%, which exceeded its overall market share as well as its market share in all other income categories. Chase USA's market share in moderate-income geographies was 3.6%, slightly below its overall market share. None of the market share data reflects the Bank's large increase in home purchase loans for 1998, as information on other lenders' 1998 performance is not yet available. The Bank more than doubled its home purchase lending in both low- and moderate-income areas from 1997 to 1998

Relative to owner-occupied housing percentages, Chase USA's home purchase lending does not compare favorably, especially in moderate-income geographies. Less than 1% of home purchase loans were made in low-income areas while 2% of owner-occupied units are within low-income geographies. Nine percent (9%) of the

Bank's home purchase loans were made in moderate-income areas, below the 14% of owner-occupied housing units located in these geographies. A high percentage of Chase USA's home purchase loans (62%) are to borrowers located in middle-income census tracts where 55% of the owner-occupied housing units are located.

The geographic distribution of Chase USA's home mortgage refinance loans is very similar to that of its home purchase loans. For 1997, the Bank had a 3.2% market share of mortgage refinance loans, ranking it 4<sup>th</sup> among reporting lenders in its assessment area. The Bank's market share was similar across all income categories.

### ***Small Business Loans***

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the Bank's small business loan originations.

The distribution of Chase USA's small business loans is adequate. During the evaluation period Chase USA extended 225 small business loans totaling \$4.8 million in its assessment area. These loans consist of business purpose credit card and auto loans. Both of these products are marketed nationally. Most of the loans (60%) are located in the middle-income geographies, as 50% of small businesses are located there. In both low- and moderate-income geographies, the Bank's small business lending does not compare favorably to the percentage of total businesses within each of these income categories. Seven percent (7%) of small business loans are located in low-income geographies compared to 11% of small businesses, and 15% of small business loans are located in moderate-income geographies versus 17% of small businesses.

The overall geographic distribution percentages in Table 5 reflect the Bank's activity during the entire evaluation period. However, within the evaluation period, there were improvements in the geographic distribution of small business loans. The percentage of loans in low-income tracts increased from 6% to 8% from 1997 to 1998; and in moderate-income tracts from 10% to 18%. The overall volume of lending remained relatively stable, increasing by only 4 loans from 1997 to 1998.

Chase USA's 1997 market share by geography does not provide additional support to the geographic distribution as its market share in low- and moderate-income areas is below its market share overall.

### **Distribution of Loans by Income Level of the Borrower**

This performance criteria measures a bank's lending to borrowers of different income levels, including low- and moderate-income borrowers. Tables 7, 9, and 10

in Appendix C include the facts and data used to evaluate the borrower distribution of the Bank's home mortgage and small business loan originations.

### ***Home Mortgage Loans***

Chase USA has an overall good distribution of home mortgage loans among borrowers of different income levels. The Bank's lending performance during the evaluation period reflects an excellent penetration of home purchase loans among moderate-income borrowers, and good penetration among low-income borrowers. For home refinance mortgage loans, distribution among both low- and moderate-income borrowers is adequate.

Two methods were used to evaluate the Bank's performance: comparison of the percentage of home mortgage loans within each borrower income category to the percentage of assessment area families that are considered low-, moderate-, middle-, or upper-income; and a market share comparison. Given the credit needs of the assessment area, more weight was placed on the borrower distribution of home purchase mortgage loans.

During the evaluation period, Chase USA made 32% of its home purchase loans to moderate-income borrowers which compares strongly to the percentage of moderate-income families in the assessment area. This is excellent performance and reflects the Bank's efforts to reach this income level of borrower through its affordable home mortgage programs. Lending to low-income borrowers is good given the assessment area's demographics. Median housing prices are relatively high in the assessment area which makes it difficult for a low-income borrower to generate the necessary down payment and qualify for a conventional home loan. The Bank's level of lending reflects its use of affordable mortgage programs such as FHA and its proprietary affordable lending products to reach those borrowers at the low-income level.

The borrower distribution of loans in 1998 closely matched the overall distribution for the evaluation period, since most of the loans were granted during that year. Chase USA substantially increased its home purchase lending to both low- and moderate-income borrowers in 1998. One hundred fourteen (114) home purchase loans were made to low-income borrowers, an increase of 87 loans from 1997. Three hundred nineteen (319) home purchase loans were made to moderate-income borrowers, an increase of 243 loans from 1997.

Chase USA's overall market rank for home purchase loans in 1997 (most recent available data) was 7<sup>th</sup> with a market share of 4%. Those lenders who made more loans in 1997 included national and local mortgage companies and two local financial institutions. Chase USA's market share of home purchase loans to both

low- and moderate-income borrowers was somewhat below its overall market share, while the market share to middle- and upper-income borrowers met and exceeded the overall market share, respectively.

The Bank's borrower distribution of home mortgage refinance loans during the evaluation period is adequate. The comparisons to family income levels are not as strong as those for home purchase lending to low- and moderate-income borrowers, however. See Table 9 for supporting data. The overall conclusions were strongly influenced by the 1998 data, since most of the loans were originated then. In 1998, borrower income information was unavailable for about 35% of the borrowers. This percentage was only 9% in 1997. In 1998, 3% of loans went to low-income borrowers and 13% to moderate-income borrowers; both of these percentages were much higher in 1997 and probably reflect the high rate of unavailable borrower income. In 1999 the percentage of lending to low- and moderate-income borrowers increased to 6% and 16% respectively while the level of unavailable borrower income declined somewhat. Given that fewer low- and moderate-income people own homes, the demand for refinance loans is traditionally less than the demand for purchase loans.

The market share for mortgage refinance loans to low-income borrowers at 3.5% is slightly more favorable than the Bank's overall market share for these loans. In addition, the Bank ranked 4<sup>th</sup> among reporting lenders for its refinance loans. Two local institutions and one large regional bank surpassed Chase USA's 1997 lending volume.

### ***Small Business Loans***

Chase USA does not consistently collect revenue information on small business borrowers. Therefore, an analysis by borrower income is not meaningful in this CRA performance evaluation. Table 10 has limited data about this aspect of the Bank's performance.

### **Loans to Low- and Moderate-income Borrowers Outside Assessment Area**

Under the CRA test for Large Retail Banks, loans to low- and moderate-income borrowers outside of a bank's assessment area are considered if it is determined that the bank has adequately addressed the needs of borrowers within its assessment area. Due to Chase USA's overall good lending performance within NCC, we considered loans to low- and moderate-income borrowers outside of NCC, excluding the states of New York, New Jersey, Connecticut, Texas, Florida and California which are affiliate bank markets.

Chase USA, through its subsidiary mortgage company, CMMC, granted a significant number of home purchase and refinance loans to low- and moderate-income borrowers outside of its NCC assessment area. These levels provide further support to the Bank's overall good lending performance. In 1997, Chase USA made 25,628 home mortgage purchase and refinance loans, totaling \$1.6 billion, to low- and moderate-income borrowers outside of NCC, Delaware excluding loans made to borrowers residing in NY, NJ, CT, FL, TX, and CA. In 1998, the Bank made 32,805 purchase and refinance loans, totaling \$2.3 billion, to those same states. Data was not available for first quarter 1999.

For 1997 overall, the Bank performed slightly below other reporting lenders in terms of the percentage of total home purchase and refinance loans made to low- and moderate-income borrowers. Chase USA made 26.2% of its home purchase and refinance loans to low- and moderate-income borrowers versus the market at 27.8%. In 1998, the Bank made 21.5% of its home purchase and refinance loans to low- and moderate-income borrowers. Market data are not available for 1998.

The Bank outperformed the market in 16 of the 44 states for which data were provided. For example, in Illinois, the largest market among the states reviewed, Chase USA made 3,353 loans to low- and moderate-income borrowers out of its total originations of 11,625 home purchase/refinance loans. These represented 28.8% of total originations in the State. The other lenders in Illinois made 28.5% of their purchase/refinance loans to LMI borrowers. States in which Chase USA significantly outperformed the market are in the following table:

<b>State</b>	<b># Loans to Low- and Moderate-Income Borrowers in 1997</b>	<b>% Chase USA Outperformed the Market</b>
Alabama	652	18%
Arkansas	211	9%
Louisiana	816	6%
Mississippi	464	16%
North Carolina	1,507	10%
Ohio	1,397	8%
South Carolina	1,314	12%

In order to evaluate the distribution of Chase USA's lending separately for low-income and for moderate-income borrowers, we relied on automated 1997 HMDA reports for the nine states with the largest numbers of loans.

Average family composition in Illinois, North Carolina, Ohio, Georgia, Colorado, Maryland, South Carolina, Missouri, and Arizona versus the average loan distribution of purchase and refinance loans is illustrated below. These states combined have about 50% of the Bank's lending activity in 1997.

	Low	Mod	Middle	Upper
Family Income Levels	20%	18%	24%	38%
Purchase loans to borrowers	8%	25%	28%	37%
Refinance loans to borrowers	7%	18%	24%	44%

Similar to the Bank's performance in its assessment area, it achieved very strong performance lending to borrowers of moderate-income, especially in the home purchase loans, and satisfactory performance in lending to low-income borrowers. According to Census Bureau demographics, several of the nine states had high housing costs - especially Maryland, Colorado, Arizona, and North Carolina - that would have impacted a low-income borrower's ability to qualify for a home loan.

## **Product Innovation and Flexibility**

Chase USA offers flexible and innovative affordable mortgage products to meet the needs of low- and moderate-income borrowers. The Bank offers several proprietary affordable loan products, and is a very active participant in government FHA and VA programs. In addition, in an effort to expand its affordable mortgage lending, Chase USA took a leadership role in establishing partnerships with other local financial institutions to sell affordable mortgage-backed securities to them.

During the evaluation period the Bank made 1,231 loans through government FHA or VA programs, representing 91% of total home purchase loans it originated in the assessment area. Approximately 55% of these government program loans were to low- and moderate-income borrowers.

Under its DreaMaker affordable housing programs, Chase USA originated 32 loans totaling \$3.2 million in its NCC assessment area during the evaluation period. This product uses higher qualifying ratios and requires smaller down payments than conventional loan products. The product also includes provisions that allow gifts and subsidies as part of the down payment.

## **Community Development Lending**

Chase USA's community development lending levels reflect good responsiveness to assessment area credit needs. The Bank has made a relatively high level of community development loans, and the Bank has often taken a leadership position in its community development lending practices.

At March 31, 1999, Chase USA's community development lending portfolio, including lending by its affiliates (CMC, CMB, CCDC, and CMB-DE), and including unfunded loan commitments, total \$37.5 million.

During the evaluation period, Chase USA and its affiliates made loan commitments totaling \$34.2 million. Of these commitments, \$5.5 million specifically benefit the NCC assessment area, and \$28.7 million provide a benefit to areas in the broader regional area within the mid-Atlantic region, with no direct benefit to the NCC assessment area. During the evaluation period, \$27.3 million has been advanced against these and prior period loan commitments.

Chase USA is proactively taking strides to fully address the community development lending needs of its assessment area. This is evidenced by the recent hiring of an experienced Community Development Real Estate Lender who will focus on the Delaware market.

Refer to Table 1 in Appendix C for the facts and data used to evaluate the Bank's level of community development lending.

Described below are the Bank's most significant community development lending programs.

### **Community Development Lending - Assessment Area**

#### *Delaware Community Investment Corporation (DCIC) Lending*

DCIC is a multi-bank Community Development Corporation engaged in the financing of affordable housing developments for low- and moderate-income persons throughout Delaware.

Chase USA is the largest participant in DCIC programs based on cumulative loan fund commitments of \$8.8 million. Chase USA participates in DCIC's loan pools to finance affordable rental housing development in the State of Delaware. In 1998, CMB, an affiliate of Chase USA, made a substantial commitment of \$5 million to the DCIC Housing Loan Fund II. This commitment represents 17.5% of the \$28.6 million loan fund, and represents the largest commitment among all financial institutions participating in the loan pool. Advances to the DCIC housing Loan Fund II totaled \$361 thousand. Prior to this evaluation period, Chase USA committed \$1.9 million dollars to the DCIC Housing Loan Fund I and CMB-DE committed an additional \$350 thousand. During the evaluation period, advances to this loan pool totaled \$1.1 million.

Chase USA, through its CCDC affiliate, participates in the DCIC Community Investment Loan Fund (CILF). CILF was established to provide long term financing of commercial real estate projects and to assist in the in the development of commercial real estate activity which contribute to the revitalization of distressed communities throughout Delaware. The fund assists in filling financing gaps for commercial development projects that are not currently being met by existing financial institution lending programs. Prior to this evaluation period, the CCDC took a lead funding position in the CILF, and committed \$1 million to this fund. During the evaluation period, \$94 thousand was advanced.

During 1999, CMB, an affiliate of Chase USA, committed \$500,000 to DCIC's \$9.5 million Urban Renewal Fund. This fund was established by DCIC to respond to identified and previously unmet community needs. The fund provides short term financing for property acquisition/site control for projects located in areas targeted for urban renewal and revitalization. No advances were requested to be made during the evaluation period. Chase USA, through its membership on the DCIC Planning Committee, took a leadership role in the development of the Urban Renewal Fund.

### **Community Development Lending - Outside Assessment Area, Within Broader Regional Area**

#### *Pennsylvania Community Development (PCD) Bank Initiative*

The PCD Bank was established by the State of Pennsylvania to encourage small business creation and expansion, and job growth in economically disadvantaged communities. The Commonwealth of Pennsylvania believes that every disadvantaged community should have access to the services of a community lending institution that serves its local business owners and community based developers with flexible loan products and services. The PCD Bank will provide

capital and technical assistance in areas under served by existing financial institutions and community development financing programs. Through a network of community development financial institutions (CDFI's), including the development and accreditation of new CDFI's by the PCD Bank, the PCD Bank offers credit and financial assistance to individuals and small businesses.

CMC, an affiliate of Chase USA, took a lead role in the establishment of this program. In November 1998, CMC became the initial lender by committing to provide a \$3 million revolving loan term facility. CMC also extended a challenge commitment to Pennsylvania-based financial institutions to support the program. Without CMC's challenge commitment, the funds needed to successfully implement the project would not have been secured by the PCD Bank. In addition, CMC reviewed and approved the credit policies and accreditation standards used by the PCD Bank. CMC also serves as the trustee for the PCD Bank. To date, no advances under CMC's loan commitment have been requested. However, a national leader in community economic development has recently been accredited by the PCD Bank, and is expected to be advanced funding during the third quarter of 1999.

*Prince George's Affordable Housing, Inc.*

In 1998, CCDC, an affiliate of Chase USA, closed a \$13.7 million loan to Prince George's Affordable Housing Inc., for the acquisition and rehabilitation of two garden apartment complexes located in Maryland. The two apartments complexes, comprised of 453 total units, are located in moderate-income census tracts. Prince George's Affordable Housing, Inc. is an affiliate of the NHP Foundation, a private, non-profit corporation whose mission is to provide quality, affordable housing for low- and moderate-income families. Twenty percent of the units must be rented to tenants earning less than 50% of the area median income and at least 55% must be rented to tenants with incomes at or below 80% of median income.

*Port Richmond Plaza:*

In 1998, CMC, an affiliate of Chase USA, provided a \$12 million loan for the acquisition of Port Richmond Plaza, a community shopping center located in the central city area of Philadelphia, Pennsylvania. The property is located in an older neighborhood that has experienced a long period of slow economic decline. The Port Richmond area is under served, with a lack of retail alternatives available to residents. The project will assist in the economic revitalization of the community.

Prior to 1997, Chase USA also purchased thirty-three affordable housing loans totaling \$2.22 million from the Wilmington Trust Company. The purchase of these

mortgage loans consisted of borrowers with incomes less than 80% of the median area income, or that resided in a low- or moderate-income census tract. The current balance of these loans less pay-downs is \$1.86 million. In addition, the purchase of these loans enabled the Wilmington Trust Company to provide additional affordable housing mortgages to qualified residents of Delaware, including NCC.

## INVESTMENT TEST

### Conclusions

The Bank's performance under the Investment Test is rated Outstanding.

Chase USA exhibits excellent responsiveness to the affordable housing and economic development needs of its NCC assessment area through its significant level of qualified community development investments and grants. The Bank often takes a leadership position in the execution of its investment and grant activities. Chase USA makes significant use of innovative and responsive investments and grants to support community development initiatives. The Bank has substantially invested in affordable housing development projects that benefit low- and moderate-income individuals. Chase USA has also proactively assisted in meeting the developmental and technical assistance needs of small business in NCC.

At March 31, 1999, the qualified investment portfolio, including unfunded commitments, of Chase USA and its affiliates, totaled \$31.6 million. During the evaluation period, Chase USA and its affiliates (CMC and CCDC) made investment commitments totaling \$27.1 million for qualified community development investments which benefit the NCC assessment area, or have a broader benefit within the State of Delaware or the Mid-Atlantic region. During the evaluation period, \$23.8 million has been advanced against these and prior period commitments. Chase USA and the Chase Manhattan Foundation (CMF) also extended \$1.86 million in grants that benefited the NCC assessment area, or the broader statewide area during the evaluation period.

CMC has extensive experience providing technical assistance to small businesses. Chase USA has begun to leverage this experience by recently contracting the services of a former CMC community development small business lender to assess the Delaware banking needs and to develop innovative programs to address these needs through consortia or other indirect lending and investment opportunities. This action positively positions Chase USA with respect to the creation of future small business related CRA activities.

In addition, CMC's Community Development Group provides Chase USA with considerable expertise and support regarding the delivery of affordable housing, economic development, and small business development investment opportunities.

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Described below are the most significant community development investments, including innovative and/or complex investments.

#### *Delaware State Housing Authority (DSHA) Mortgage Revenue Bonds*

The purpose of the DSHA is to provide and assist others to provide affordable and decent housing to low- and moderate-income families throughout the State of Delaware. One method that the DSHA utilizes to meet this objective is to provide below market rate mortgages to low- and moderate-income first time homebuyers. DSHA finances these mortgages through the sale of tax-exempt bonds. The DSHA uses the proceeds of these bonds to provide below market interest rate mortgage loans to eligible borrowers that meet low- to moderate-income requirements. The DSHA targets areas that include low income or economically distressed communities.

Chase USA took a leadership role in working with the DSHA bond underwriter to restructure the single family mortgage revenue bond program, effective with the December 1997 bond issuance. This innovative restructuring responded to affordable housing needs of the community, as the enhanced below market interest rate bond structure produced a sizeable reduction in the DSHA's cost of funds (36 basis points). This program will be replicated by the DSHA for future bond issues, thus enabling the DSHA to continue to realize savings which will be passed onto qualified first time home buyers through lower interest rate mortgages.

During the evaluation period, Chase USA and the CMC purchased a total of \$21.4 million in DSHA Single Family Mortgage Revenue Bonds. Including prior period bond purchases, Chase USA has invested a total of \$22.6 million in DSHA mortgage revenue bonds. Chase USA's total DSHA bond portfolio investment less bond maturities and those bonds partially called is \$20.7 million.

#### *Delaware Community Investment Corporation (DCIC)*

DCIC is a multi-bank community development corporation whose purpose is to serve as a vehicle for community revitalization through the financing of, and the investment in, housing and related activities designed to address the needs of low-to-moderate income persons throughout Delaware. Chase USA is among the lead investors in DCIC equity funds, based on cumulative investment commitments of \$7.0 million.

The DCIC Equity Fund for Housing II (DEFH II), Limited Partnership, was formed to invest as a limited partner in arrangements that will acquire, construct, rehabilitate, and operate low-income multi-family housing developments located in the State of Delaware that are eligible for federal low-income housing tax credit programs. Chase USA, through an affiliate of the bank, CMC, invested in the Delaware Equity

Fund for Housing Limited Partnership II. Prior to this evaluation period, Chase USA committed to invest \$3 million in this equity fund, representing 21% of the fund. During the evaluation period, Chase USA advanced \$784 thousand under its commitment. DEFH II has assisted in the construction of 9 multi-family housing developments and 434 units of affordable housing throughout the State of Delaware, including New Castle County.

In 1999, Chase USA, through CMC, took a lead position by committing to invest \$4 million in the Delaware Equity Fund for Housing Limited Partnership III (DEFH III). This commitment represents 17% of the \$23.0 million DEFH III fund. To date, no funds have been requested to be advanced under this commitment. DEFH III will assist DCIC in continuing to focus on its deal structuring expertise and on those investments that will act as a catalyst for the long term stability of the communities in which they are located.

#### *Direct Low Income Housing Tax Credit Investments*

On behalf of Chase USA, CMC purchased \$1.5 million in limited partnership interests in two different low-income housing tax credit projects located in Delaware. These direct tax credit investments are "side-by-side" with low-income housing tax credit investments made by DCIC. In 1998, the Equity Advisory Committee of DCIC's Delaware Equity Fund for Housing II approved three projects that put DCIC roughly \$2.8 million over the total capital remaining in the equity fund. Chase USA was offered and accepted "side-by-side" direct investment opportunities in two of these projects. The Bank's responsiveness enabled DCIC to quickly close the remaining affordable housing projects on schedule. A summary of these direct tax credit investments is provided below.

Coachman's Manor is a gut rehabilitation of an existing 132-unit (one, two, and three bedroom units) garden complex located in New Castle County, Delaware. Upon the completion of the project, 112 units will be rented to qualified low- and moderate-income families and individuals. The Cheer Apartments project is new construction consisting of 60 one bedroom units located in Sussex County, Delaware. The developer and general partner of the project is Sussex County Senior Services, Inc. The Cheer Apartments will be leased to the elderly (62 years or older) with annual incomes ranging from \$11,760 to \$ 14,760.

*GS Capital, L.P.*

GS Capital, L.P. is a Specialized Small Business Investment Company (SSBIC) that invests in minority, women, and employee-owned companies. The organization's geographical focus is Delaware, Pennsylvania, and New Jersey. GS Capital's mission is to invest in minority small business franchises and stimulate economic growth through job creation and business expansion.

SSBIC's are a specialized form of SBIC designed to invest exclusively in small businesses owned by socially or economically disadvantaged persons. Chase USA's commitment requires \$250,000 in small business development within the State of Delaware.

During this evaluation period, the CCDC affiliate of Chase USA, committed \$250,000 on behalf of the bank. In 1998, \$145,000 was advanced under this commitment.

### *Community Development Grants*

Chase USA and CMF, an affiliate of the bank, extended \$1.83 million in qualified grants to more than 60 organizations during the evaluation period. These grants were to organizations that provide affordable housing, economic revitalization, small business development, and community services targeted toward low- and moderate-income individuals. The Bank extended grants totaling \$629 thousand to 28 organizations with affordable housing programs, and extended \$1.23 million to 37 organizations to support economic and community development. These organizations support the local community through several initiatives including: affordable housing for low- and moderate-income families, senior citizens, and disabled individuals; shelters and outreach services for the homeless; housing rehabilitation and housing counseling services for low- and moderate-income individuals; daycare facilities and subsidies for children of low- and moderate income families; job training for low- and moderate-income individuals; and support for small business development initiatives including the establishment of a small business resource center. Described below are examples of significant community development grants that Chase USA provided during the evaluation period.

- \* Provided a total of \$194,522 to the Ministry of Caring, including \$56,922 in 1998 to specifically support the organization's Hope House Transitional Residence program. When the Ministry of Caring's HUD grant application for operational support funding was rejected, Chase USA responded and provided the organization with the necessary funds to support the operation of its transitional residence program for a one year period.
- \* \$30,000 was granted to assist Community Housing Inc., a non-profit housing services agency, to conduct a study regarding the acquisition and rehabilitation of substandard housing located in West Center City Wilmington, a low- and moderate-income area of NCC.
- \* Extended a total of \$75,000 to the University of Delaware's Small Business Development Center (DSBDC). The contributions provided operational support to the DSBDC small business development programs. The support

also assisted in the establishment of a Small Business Resource Center in Sussex County that provides training and technical assistance to small businesses situated in this County.

- \* Chase USA participates in the federal Urban Development Action Grant (UDAG) Program with the building owner/developer and the City of Wilmington. When the Chase USA building was being planned, the City of Wilmington applied for specific grants from the Department of Housing and Urban Development. The developer borrowed the grants received by Wilmington at favorable interest rates. The developer/tenant pays back this loan to Wilmington's UDAG Corporation, established to handle loan repayments and to provide grants to organizations that support economic revitalization and community stabilization. Under the terms of Chase USA's UDAG agreement, a portion of the bank's payment on the UDAG loan is transferred to the West Center City Neighborhood Planning Advisory Committee (WCCNPAC). WCCNPAC, in turn, targets the community development needs of the low- and moderate-income residents it serves. During the evaluation period, WCCNPAC received \$506,250 through Chase USA's payments.
- \* Provided \$25,000 to assist in the establishment of Delaware's only Small Business Incubator project. The incubator site is located in Wilmington. The funding supported the construction and implementation of the incubator project, as well as the implementation of small business development programs.

Chase USA also provided over 400 computers and printers, as in-kind contributions, to several community based organizations that provide community services targeted toward low- and moderate-income individuals. In addition, Chase USA provided copying, mailing, and fundraising material development services to five community based organizations.

## **SERVICE TEST**

The Bank's performance under the Service Test is rated Outstanding.

## **Community Development Services**

Chase USA employees have provided their financial expertise to community development organizations through their memberships and active participation in over 15 organizations serving Delaware and/or NCC. Bank employees have often

taken leadership roles in extending community development services to the local community. In addition, their services include providing innovative ideas to create or further community development initiatives.

Chase USA's community development services are targeted to organizations and programs that address the affordable housing and social services needs of low- and moderate-income individuals, or which serve to revitalize and stabilize low- and moderate-income areas. The Bank also provides services to organizations that promote economic development through technical and financial assistance to small businesses. The Bank has taken particularly active roles through their Board and committee memberships in the programs described below.

#### Christmas In April\* Wilmington

The CRA Officer has taken leadership roles to facilitate the housing rehabilitation initiatives of this organization, which is a primary need for low- and moderate-income homeowners in the City of Wilmington. These include serving as Vice-President of the Board in 1997/1998 and President of the Board in 1998/1999. Specific contributions include developing a concentrated focus for housing rehabilitation in an effort to revitalize whole low- and moderate-income neighborhoods (targeting the eastside of Wilmington in 1998, and the westside in 1999). As a result, a total of 17 homes and 2 community centers were rehabbed. The CRA Officer was also instrumental in developing a Community Outreach Committee, which she Chaired in 1997/1998. The result of this innovative idea was to substantially increase applications which totaled 45 for 1997/1998. Another bank officer participated as a member of the House Selection Committee in 1998/1999, which involves performing site reviews and other activities to identify homes qualified for rehab.

#### Delaware Community Investment Corp. (DCIC)

Several of Chase USA's senior management provide their services to DCIC through Board and committee memberships. The Bank's Senior Counsel has taken a leadership role in DCIC as a member of the Board including serving as Vice Chairman since 1998. He has also served on the Executive Committee since 1998, Chaired the Planning Committee in 1997, and currently Chairs the Nominating Committee. A Vice President of Chase's Community Development Group has served on DCIC's Tax Equity Advisory, and Community Development Loan Fund committees. The CRA Officer is a member of the Planning Committee since 1998 which was instrumental in identifying the need for DCIC's Urban

Development Fund (refer to DCIC discussions under the Lending Test and Investment Test sections of this evaluation for a description of this program, and other DCIC programs.)

#### Wilmington Housing Partnership

Chase USA's President has served as a member of the Board of Directors since 1997. Both the President and the CRA Officer were very involved in the Partnership's strategic planning in 1998, which resulted in targeted revitalization projects planned for low- and moderate-income areas in the Eastside of Wilmington, and the West Center City area. The Partnership provides loans and grants for new construction and renovation of existing housing and supports predevelopment costs associated with affordable housing projects in the City of Wilmington. The Partnership also provides downpayment settlement assistance to first time homebuyers in the City.

#### Ministry of Caring

Chase USA's President has served on the Ministry of Caring's Board of Directors since 1997. He also joined the Board for the Ministry of Caring's Sacred Heart Village in 1998, and appointed Treasurer of this Board in 1999. The Ministry of Caring provides services, including transitional housing and day care to homeless and very low-income persons and families. Sacred Heart Village is a 78-unit housing project being developed in Wilmington for low- and moderate-income seniors.

#### Homeless Planning Council

The CRA Officer has been an active participant in this organization since its inception in 1998. The State of Delaware was denied HUD funding for 1998 under the agency's SUPERNOFA (Super Notice of Fund Availability) application program. The primary reason for HUD's denial was the lack of a sufficient continuum of care process for the State's homeless. The Council was developed to establish this continuum of care and, as a result of its efforts, the State of Delaware was awarded over \$2.6 million for 1999.

The CRA Officer helped to establish the mission and vision of the Council. She actively participated in planning the first state-wide annual meeting of the Council, and was one of the presenters at the meeting. The CRA Officer was elected to the Council's Board, which was established in January 1999, and is co-Chair of the Gaps Assessment Committee.

#### West Center City Day Care Nursery

The CRA Officer has served as a member of the Board of Directors since 1996. She was asked to Chair the nominating committee in 1998 due to her extensive involvement and knowledge of the community. West Center City Day Care Nursery serves children primarily from the surrounding low-income area. Over 85% of the children attending this day care are of low-income and receive State Purchase of Care subsidies.

#### West End Neighborhood House

Two vice presidents in Credit Operations actively participate on the Statewide Loan Committee for West End. The Committee reviews applications received for security deposits for rental and utility downpayments for low-income persons, assisting them in obtaining decent and safe affordable housing.

In addition to its involvement in Boards and committees of community development organizations, Chase USA has been engaged in many affordable housing and community/economic development service initiatives, several of which are innovative. These include housing counseling programs, homebuyers seminars, credit repair workshops, housing redevelopment efforts, workshops and credit training for small and minority-owned businesses, and providing support to religious organizations interested in community development. Several of these initiatives are described below.

#### NCALL Research Inc.

CMB and CMMC established an innovative contractual agreement with NCALL in February 1999 to provide homeownership counseling services for low- and moderate-income persons throughout Delaware, including NCC. Under this one-year agreement, NCALL will counsel up to 250 low- and moderate-income borrowers that have applied for CMMC's affordable mortgage products and are eligible for a one day counseling session. Through its involvement with Delaware housing counseling agencies, Chase recognized that agencies were experiencing continual backlogs which delayed counseling for potential homeowners up to three months. In attempt to reduce this backlog, Chase developed a pilot program where it would identify potential homeowners that needed minimal counseling and budgeting assistance, and worked with NCALL to provide these services. This included developing counseling guidelines and committing \$50,000 to hire a housing counselor to administer the program. The Bank extended \$25,000 of its commitment during the evaluation period which we accounted for as a qualified community development grant. Chase is the first lender to establish this type of relationship in the State of Delaware.

## Brookmont Farms

In partnership with FCC National Bank (FCC), Chase USA organized a task force to work with NCC government on a redevelopment strategy for Brookmont Farms which would ultimately result in homeownership opportunities for low- and moderate-income residents. Brookmont Farms is a community of 544 homes, primarily affordable rental. Local government proposed to demolish the homes due to structural problems and high crime in the community, with no plan to address displaced low-income tenants. Chase USA and FCC also met with a local for-profit developer of affordable housing to discuss the possibility of creating a redevelopment plan for the community. Recognizing the low homeownership rate in Brookmont Farms, a Chase mortgage representative who participates on the Brookmont Taskforce is leading an initiative to persuade FHA to resume its underwriting of mortgages in the community. The FHA stopped underwriting mortgages for the Brookmont Farms community due to issues involving common areas.

## Educational Initiatives

Chase's credit staff have held, or participated in homebuyer seminars and educational sessions on obtaining affordable housing, and available mortgage products for low- and moderate-income individuals. These include providing two consumer sessions titled "Buying Your First Home", teaching two separate sessions on FHA and VA financing, participating as a panelist on an informational television program about affordable housing, and actively participating in monthly credit repair workshops held by a community organization, Interfaith Housing Delaware. This organization gave Chase USA special recognition at an awards ceremony for its commitment to affordable housing. Chase USA representatives also participated as panelists for several workshops aimed at micro-business owners. An intensive five-day basic credit training program, Credit Institute for Economic Development Certificate Course, is offered by Chase to community and economic development professionals. Chase USA sent representatives from Delaware non-profit agencies (Small Business Development Center, First State Community Loan Fund, and Wilmington Economic Development Corp.) to this course.

## Ministry of Caring - Job Start Program

Chase USA created and funded an innovative Job Start Program with the Ministry of Caring which provides no-interest loans and grants to lower-income individuals for expenses associated with seeking or starting a new job, and for minimum wage earners who encounter unexpected expenses during the first few years of employment. Chase USA actively participates on the loan review committee, and assists in application review, loan tracking and collection activities.

## Faith-Based Community Development Initiatives

Chase USA developed an innovative program to encourage neighborhood revitalization through faith-based community development initiatives. Through this program, Chase USA makes grants to help religious organizations start Community Development Corporations (CDC's) or develop the capacity of existing CDC's, as well as providing these organizations with technical assistance. Chase USA has contributed \$50,000 to this program which we accounted for as a qualified community development grant. The Bank sponsored two workshops for religious leaders which covered faith-based community development, grants available through Chase USA and other local sources, guidance on writing a grant proposal, and City of Wilmington initiatives in the Enterprise Community. The Bank also arranged for a tour of model faith-based CDC's in the New York City area for five religious groups in Delaware. The tour provided these groups with the opportunity to network with successful CDC's, learn about how to establish a CDC and implement a strategy for community based economic development. Chase USA also participated in the planning for the Second Annual Faith-based Economic Development Conference sponsored by Delaware State University. The Bank's participation in this educational conference also included serving as a panelist, presenting information on Chase USA's Faith-based program.

## **Retail Banking Services**

Chase USA does not rely on a branch network to deliver its retail services. It solicits deposits and generates loans on a nationwide basis primarily through advertisements and direct mail. Moreover, the Bank does not actively compete in its assessment area for deposits, with less than 1% of total deposits coming from Delaware. Due to these factors, the Bank's retail services do not have much bearing on the Service Test rating.

Chase USA has one branch office in NCC in addition to its main office. No branches have been closed since the Bank's inception in 1982. Chase USA's main office was opened in 1982, and is located in a moderate-income census tract. The banking services provided through this office are primarily used by Chase USA employees. The Bank's only branch office was opened in 1998 for the purpose of selling insurance on a national basis. The Bank located the branch in Bellefonte, Delaware, within a middle income census tract. Bellefonte is a town with a population of less than 5,000, a requirement for nationwide insurance sales.

Both the main and branch office offer the same deposit products which Chase USA offers throughout the United States as part of its national deposit gathering

business. These products consist of money market accounts, IRA's and certificates of deposit. In addition, the branch offices offer DDA accounts to Chase USA employees. Customers of the branches can also access applications for credit cards and auto financing, and are referred to a CMMC office in Delaware for mortgage financing. Both the main and branch offices are open for business during the weekdays from 9:00 a.m. until 3:00 p.m. In addition, a toll free number and phone access is available for customers to use for Chase Auto Finance and CMMC loan inquiries and applications. Chase USA operates one ATM located in its main office.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term "Full-Scope") and those that received a less comprehensive review (designated by the term "Limited-Scope").

<b>Time Period Reviewed</b>	Lending Test: 1/1/97 to 3/31/99 Investment Test: 1/1/97 to 5/17/99 Service Test: 1/1/97 to 3/31/99	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Chase Manhattan Bank USA, NA Wilmington, Delaware		Home Purchase and Refinance Mortgage Loans, Small Business Loans, Community Development (CD) Loans and Qualified Investments.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Chase Manhattan Corp.(CMC)	Parent	CD Loans & Qualified Investments
Chase Community Development Corp. (CCDC)	Affiliate	CD Loans
Chase Manhattan Bank (CMB)	Affiliate	CD Loans
Chase Manhattan Bank - Delaware (CMB - DE)	Affiliate	CD Loans
Chase Manhattan Foundation	Affiliate	Grants
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
New Castle County, Delaware (Within Wilmington-Newark MSA #9160)	Full Scope	MSA 9160 is comprised of two counties: New Castle County, Delaware, and Cecil County, Maryland.

## Appendix B: Market Profile

Chase USA designates New Castle County, Delaware (NCC) as its assessment area, which is in the Wilmington-Newark Metropolitan Statistical Area (MSA). Based on 1990 U.S. Bureau Census Data, NCC is the most densely populated county with 441,946 or two-thirds of Delaware's population. Wilmington represents the largest city in NCC with a population of 71,529. Newark, containing the University of Delaware, is also a significant urban area in NCC.

The assessment area contains 120 census tracts, of which 118 are populated. There are nine low-income census tracts, 23 moderate-income census tracts, 61 middle-income census tracts, and 25 upper-income census tracts. All low-income census tracts, and nine of the 23 moderate-income census tracts are located in Wilmington. The 1998 HUD adjusted median family income for NCC is \$60,000. A total of 115,305 families reside in NCC of which 17% are low-income, 18% are moderate-income, 26% are middle-income and 39% are upper-income. There are a total of 173,560 housing units in NCC of which 95% are occupied, and 5% are vacant. Seventy-seven percent are one-to-four family units, and 20% are multifamily units. Sixty-five percent are owner occupied and 30% are renter occupied. NCC's weighted average median housing value is \$119,531 and its weighted average monthly gross rent is \$518. For Wilmington, the weighted average median housing value is \$87,873, and the weighted average monthly gross rent is \$426. A 1996 Statewide Housing Needs Assessment determined that approximately 2.5% of the housing stock in NCC is considered substandard. Wilmington was estimated to have 2,434 substandard units, or 8.4% of total City housing stock. In addition, 14% of Wilmington's rental units were estimated to be substandard.

The structure of Delaware's economy has undergone significant changes since 1990. Even though the economy is still led by large companies in the chemical and automotive industries, there has been a marked diversity since 1990. Several high technology and research and development firms have been started in the State, and together with the financial services industry are making significant impact on the economy. The largest industrial sector in Delaware is the financial services industry. At June 1998, the labor force in NCC was 253,858 persons and the unemployment rate was 4.1%, slightly below the U.S. unemployment rate of 4.5%. The table below presents demographic data on NCC.

New Castle County Assessment Area Description					
	Total	Low	Moderate	Middle	Upper

	Number	Income	Income	Income	Income
<b>Census Tracts</b>	120	8%	19%	51%	21%
<b>Families</b>	115,305	17%	18%	26%	39%
<b>Small Businesses &amp; Farms*</b>	11,049	9%	18%	48%	25%

Source: 1990 U.S. Census

\* Businesses and farms reporting annual sales of \$1 million or less located in low, moderate, middle and upper income census tracts.

Meetings were held with ten community organizations in order to gain their perspectives on community development opportunities, and the performance of financial institutions in helping to meet credit and community development needs of Delaware. Based on these meetings and other sources, there are many qualified community development loan, investment and service opportunities throughout Delaware including NCC. These include low-income housing tax credit programs; mortgage revenue bonds; mortgage-backed securities; venture capital funds; loan consortia; community development corporations; and programs administered by the Federal Home Loan Bank, Delaware State Housing Authority, Delaware Economic Development Office, and numerous non-profit and for-profit community development organizations.

The 1995 consolidated plan for NCC identifies affordable housing as a primary need of low- and moderate-income households, especially those residing in Wilmington. Community organizations have also identified affordable home purchase and rehabilitation financing as pressing needs, as well as financing for small and minority owned businesses in distressed areas of the State.

Appendix C: Standardized Tables

**Table 1. Lending Volume**

LENDING VOLUME												
State: Delaware												
Evaluation Period: January 1, 1997 - March 31, 1999												
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope:												
New Castle County, DE Assessment Area	< 1%	2,011	249,188	225	4,779	0	0	0	0	2,236	253,967	< 1%
Broader Statewide or Regional Area <sup>+</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18	27,300	18	27,300	< 1%
Limited-Scope:												

+ Community Development Lending Test includes CD loans that benefit the broader statewide or regional area.

**Table 2. Geographic Distribution of Home Purchase Loan Originations**

Geographic Distribution: HOME PURCHASE																
			State: Delaware				Evaluation Period: January 1, 1997 - March 31, 1999									
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
New Castle County, DE	2	< 1	14	9	55	62	29	28	7	4	4.8	3.6	4.1	4.2	1,359	< 1
Limited-Scope:																

(\*) Based on 1997 Aggregate HMDA Data only.

**Table 3. Geographic Distribution of Home Improvement Loan Originations**

Geographic Distribution: HOME IMPROVEMENT		State: Delaware				Evaluation Period: January 1, 1997 - March 31, 1999							Total Home Improvement Loans			
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					#	% of Total
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp		
Full-Scope:																
New Castle County, DE	2	N/A	14	N/A	55	N/A	29	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Limited-Scope:																

(\*) Based on 1997 Aggregate HMDA Data only.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations**

Geographic Distribution: HOME MORTGAGE REFINANCE																
					State: Delaware					Evaluation Period: January 1, 1997 - March 31, 1999						
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans	% Owner Occ Units	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
New Castle County, DE	2	1	14	9	55	54	29	36	4	3.2	3	3	3	4	652	< 1
Limited-Scope:																

(\*) Based on 1997 Aggregate HMDA Data only.

**Table 5. Geographic Distribution of Small Business Loan Originations**

Geographic Distribution: SMALL BUSINESS      State: Delaware      Evaluation Period: January 1, 1997 - March 31, 1999																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
New Castle County, DE	11	7	17	15	50	60	24	18	12	2.28	1.61	1.3	2.86	2.12	225	< 1
Limited-Scope:																

(\*) Based on 1997 Aggregate Small Business Data only.



**Table 7. Borrower Distribution of Home Purchase Loan Originations**

Borrower Distribution: HMDA HOME PURCHASE																
State: Delaware				Evaluation Period: January 1, 1997 - March 31, 1999												
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Purchase Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
New Castle County, DE	17	12	18	35	26	23	39	21	7	4.08	2.7	3.4	3.9	4.4	1359	< 1
Limited-Scope:																

(\*) As a percentage of loans with borrower income information available. No information was available for 9% of loans originated by BANK.

(\*\*) Based on 1997 Aggregate HMDA Data only.

**Table 8. Borrower Distribution of Home Improvement Loan Originations**

Borrower Distribution: HOME IMPROVEMENT      State: Delaware      Evaluation Period: January 1, 1997 - March 31, 1999																
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Improvement Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
New Castle County, DE	17	N/A	18	N/A	26	N/A	39	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Limited-Scope:																

(\*) As a percentage of loans with borrower income information available.

(\*\*) Based on 1997 Aggregate HMDA Data only.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations**

Borrower Distribution: HOME MORTGAGE REFINANCE																
State: Delaware				Evaluation Period: January 1, 1997 - March 31, 1999												
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank**	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans	
	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*	% of Families	% BANK Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
New Castle County, DE	17	7	18	15	26	18	39	34	4	3.25	3.5	2.4	2.6	4.1	652	< 1
Limited-Scope:																

(\*) As a percentage of loans with borrower income information available. No information was available for 26% of loans originated by BANK.

(\*\*) Based on 1997 Aggregate HMDA Data only.

**Table 10. Borrower Distribution of Small Business Loan Originations**

Borrower Distribution: SMALL BUSINESS      State: Delaware      Evaluation Period: January 1, 1997 - March 31, 1999											
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BANK Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
New Castle County, DE	72	N/A	N/A	225	0	0	2.28	N/A	225	< 1	21
Limited-Scope:											

(\*) As a percentage of businesses with known revenues.  
 (\*\*) As a percentage of loans with revenue information available. No information was available for 100% of loans originated by BANK.  
 (\*\*\*) The market consists of all other Small Business reporters in BANK=s assessment area and is based on 1997 Aggregate Small Business Data only.  
 (\*\*\*\*) Based on 1997 Aggregate Small Business Data only.



**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: Delaware Evaluation Period: January 1, 1997 - March 31, 1999									
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$=
Full-Scope:									
New Castle County DE (includes broader Statewide/regional area)	5	1,637	6.4%	6	23,785	93.6%	11	25,422	100%
Limited-Scope:									

(\*) Prior Period Investments means investments made in a previous evaluation period that remain outstanding.

(\*\*) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

**Table 13. Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM																	
State: Delaware Evaluation Period: January 1, 1997 - March 31, 1999																	
MSA/Assessment Area:	Deposits		Branches					ATMs						Population			
	% of Total BANK Deposits	# of BANK Branches	% of Total BANK Branches	Location of Branches by Income of Geographies				# of BANK ATMs	% of Total BANK ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full-Scope:																	
New Castle County, DE	< 1%	2	< 1%	0	1	1	0	1	100%	0	1	0	0	3.9	16.8	53.9	25.5
Limited-Scope:																	

