



PUBLIC DISCLOSURE

March 10, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**TD Waterhouse Bank, National Association
Charter Number 22611**

**525 Washington Blvd, 4th Floor
Jersey City, NJ 07310**

**Office of the Comptroller of the Currency
Northeastern District
830 Morris Turnpike Second Floor
Short Hills, NJ 07078**

NOTE: This document is an evaluation of this 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. 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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INSTITUTION'S CRA RATING

This institution is rated **Satisfactory**. The rating is based on the following factors:

- The bank met its goals for originating community development loans for the 3 years under review.
- The bank met its goals for community development investments outstanding for the end of 2000 and 2002. The bank substantially met its goal for community development investments outstanding for the year 2001.
- The bank met its goals for community development grants for the 3 years under review.
- The bank met its community development service goals for the 3 years under review.

DESCRIPTION OF INSTITUTION

TD Waterhouse Bank, N.A. ("TDWB") is an interstate institution headquartered in Jersey City, New Jersey. TDWB is a wholly owned subsidiary of TD Waterhouse Group, Inc. ("TDWG"). TDWG is a wholly owned subsidiary of The Toronto-Dominion Bank ("TDB"). TDB is a multi-billion dollar financial holding company headquartered in Toronto, Canada. TDWB received a national charter on October 13, 1994 to provide limited financial services and products to customers of its affiliate TD Waterhouse Investor Services, Inc. ("the Broker"). The Broker, a securities brokerage firm, provides discount brokerage and mutual fund services to individual investors. TDWB offers checking accounts, checking accounts with overdraft protection, unsecured lines of credit, and certificates of deposit. The bank also offers credit cards, mortgages, and home equity lines of credit through unaffiliated third parties. It has one inactive subsidiary, Waterhouse Mortgage Services, Inc. The bank has one branch located in New York City on Wall Street. The bank does not maintain traditional retail offices. Products and services are generally provided through the Internet or by phone. TDWB has not requested that the activities of any of its affiliates be considered when evaluating its performance.

TDWB's total assets as of December 31, 2002 were \$5.9 billion. Investments comprised ninety-nine percent of total assets. The primary customers of the bank are customers of the brokerage affiliate, TD Waterhouse Investor Services, Inc. A small segment of its customer base is non-brokerage related accounts. Net loans represented less than one percent of total assets. Net loans are comprised of home mortgages loans (5%), home equity loans (24%), consumer loans (42%), and commercial loans (29%). The home mortgage loans and commercial loans are CRA-related.

TDWB was rated "Satisfactory" at the previous CRA examination dated December 31, 1999. There are no financial or legal impediments that would hinder the bank's ability to meet its CRA goals.

DESCRIPTION OF ASSESSMENT AREA

The AA is comprised of the New York City MSA 5600 and the New Jersey counties of Hudson (MSA 3640) and Essex (MSA 5640). MSA 5600 consists of all five boroughs of New York City and the counties of Putnam, Rockland, and Westchester. The bank has targeted the communities of Newark, the Oranges, and Jersey City in New Jersey as the focal points of its community development efforts. These areas have a high concentration of low- and moderate-income individuals and census tracts. The entire AA is in the New York CMSA. The AA is in compliance with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The AA consists of 2,883 census tracts. The classification of the census tracts by income levels are as follows: 378 low-income (13.11%); 539 moderate-income (18.70%); 957 middle-income (33.19%); 926 upper-income (32.12%); and 83 not classified (2.88%). The population of the AA is 9,878,151 (*Source: 1990 Census*). The 2002 HUD adjusted median family income for the AA is \$63,890. Owner-occupied housing units comprise 32% of the housing stock. Fifty-five percent of the housing stock in the AA is multifamily units. The median housing value is \$189,059. The distribution of families in the AA by income levels is as follows: 25.14% classified as low-income; 15.55% classified as moderate-income; 18.60% classified as middle-income; and 40.70% classified as upper-income.

The New York City metropolitan area has a diversified economy. It is the headquarters of many international and national companies. Businesses with a major presence in New York include financial services, advertising, publishing, and retail businesses. A significant level of light manufacturing and wholesale trade is performed in the borough of the Bronx. The boroughs of Brooklyn and Queens have considerable wholesale and retail districts.

The overall economy of the New York City area has shown signs of weakening after experiencing several years of economic growth. The terrorist attack of September 2001 has placed a strain on the regional economy. Significant job losses were experienced, especially in the securities industry. The unemployment rate for the New York MSA as of December 31, 2002 of 6.1 percent mirrored the national unemployment rate of 6.0 percent.

Newark, New Jersey is the economic center of Essex County. Major employers include banking, insurance, and the air transportation industries. There are also a large number of health care facilities in the area. The economy of the Newark, New Jersey area has also showed declining trends. Layoffs have adversely affected the economy of the area. The unemployment rate for Essex County as of December 31, 2002 was 7.3 percent.

Jersey City is the major city in Hudson County. The Jersey City area has benefited from financial firms relocating there from Manhattan. Major construction has occurred along the waterfront. Residential construction has included the development of over 2,400 housing units in Jersey City, Hoboken, and West New York (N.J.). However, most housing currently under construction is not targeting low- or moderate-income individuals. The unemployment rate for Hudson County as of December 31, 2002 was 8.1 percent.

There are numerous credit needs in the assessment area. Two of the significant credit needs identified by TDWB and through community contacts conducted during this examination include affordable housing and social services. The need for affordable housing is especially severe in areas with a high number of low- and moderate-income geographies such as sections of the Bronx and Kings counties in New York and the Newark area in New Jersey. High housing costs make homeownership difficult for low- and moderate-income families. Multifamily housing account for 58 percent of the housing stock in the New York MSA. The median housing cost is \$194,647. The 2002 updated median family income in the MSA is \$62,800. Sixteen percent of the households are below the poverty level. The median housing cost in Essex County is \$153,848. The 2002 updated median family income for Essex County is \$78,700. The median housing cost in Hudson County is \$150,937. The 2002 updated family income for Hudson County is \$60,100.

FAIR LENDING REVIEW

An analysis of HMDA data, public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.

SCOPE OF EXAMINATION

The bank's CRA performance will be evaluated under its strategic plan goals. The strategic plan establishes measurable goals for community development loans, community development investments and grants, and community development services. The previous CRA examination was as of December 31, 1999. Community development activities were evaluated for that period from March 1998 through December 31, 1999 under the bank's 3-year plan that was effective in March 1998. The plan period covered March 1998 through December 31, 2000. On November 22, 2000 the OCC approved the bank's strategic plan for the period January 1, 2001 through December 31, 2003. This examination reviewed the bank's performance for the years 2000 under the previous plan, and 2001, and 2002 in the current plan. The plan includes community development measurable goals to achieve "satisfactory" performance.

CONCLUSIONS

Community Development Loans

TDWB met its goals for community development loans. The bank identified numerous organizations within its assessment area that address identified credit needs. A critical need exists for funding of affordable housing. The bank has originated loans to organizations throughout its assessment area for rehabilitation and construction expenses, predevelopment costs, revolving loan funds, and the development of programs that meet various needs of low- and moderate-income individuals. Outreach efforts conducted by the bank revealed that many organizations in its assessment area had a diminishing needs or capacity to borrow from the bank. In October 2001 the bank received approval from the

OCC to purchase residential mortgage loans or multi-family loans made to low- and moderate-income individuals in its assessment area. The goal for the year 2000 was \$4,800,000 in community development loans. The bank made 18 qualified community development loans totaling \$5,689,430. The goal for the year 2001 was 5,280,000 in community development loans *and* residential mortgages and multi-family housing loans. The bank made 2 qualified community development loans totaling \$5,000,000. The bank purchased three 1-4 family mortgage loans totaling 307,750. The goal for the year 2002 was \$5,760,000 in community development loans *and* residential mortgages and multi-family housing loans. The bank made 4 qualified community development loans totaling \$4,458,244. The bank purchased ten 1-4 family mortgage loans totaling \$1,333,956. All mortgage loans were originated to low- to moderate-income borrowers within the bank’s assessment area.

Annual Originations of Community Development Loans, Residential Mortgage and Multi-Family Housing Loans*			
Year	Goal for Year	Actual Originations	Achievement Level
2000	\$4,800,000	\$5,689,430	Met
2001	\$5,280,000	\$5,307,750	Met
2002	\$5,760,000	\$5,792,200	Met

*An amendment to the Strategic Plan approved by the OCC on October 11, 2001 authorized the bank to purchase residential mortgage loans and multi-family housing loans made to LMI individuals within its assessment area.

Community Development Investments and Grants

The bank met its goals for community development investments in the years 2000 and 2002. Community development investments made by the bank include mortgage-backed securities, community development financial institutions (CDFI), equity investments in projects supported by low-income tax credits, and bonds issued by housing authorities in New York and New Jersey to fund affordable housing. The bank substantially met its community development investment goal in 2001. In November 2001, a bond call of \$6.1 million in municipal bonds reduced the level of outstanding community development investments below its goal for 2001. The bank purchased \$25.8 million in community development investments on January 18, 2002 that offset the calls made in 2001. The bank met its goal for community development grants for all three years. All grants were made to organizations whose activities meet the definition of community development. Grants were made to organizations that provided services such as affordable housing, residential services for low- and moderate-income individuals, skill training programs, and childcare. The following tables summarize the bank’s performance.

Qualified Community Development Investments			
Year	Goal for Year	Actual Year-end Balance	Achievement Level
2000	\$19,200,000	\$60,109,197	Met
2001	\$60,720,000	\$60,558,584	Substantially Met
2002	\$66,240,000	\$76,973,838	Met

Qualified Community Development Grants			
Year	Goal for Year	Annual Contributions	Achievement Level
2000	\$220,000	\$304,000	Met
2001	\$330,000	\$372,660	Met
2002	\$360,000	\$367,500	Met

Community Development Services

TDWB met its goals for community development services for 2000, 2001, and 2002. The goals of the bank were to be actively involved through membership with organizations throughout its assessment area that provided financial services and addressed “non-economic” needs such as community child care, educational, health or social services targeting low- and moderate-income individuals. The bank’s goal (number of organizations that the bank is actively involved with through membership) was 5 organizations, 7 organizations, and 8 organizations, respectively, for the years 2000, 2001, and 2002. The bank is represented on various boards of directors and advisory committees for organizations that perform a variety of community development activities. Examples of the bank’s activities are as follows:

- The bank is represented on the Board of Trustees and Workforce Advisory Committee for the leading non-profit housing organization in New Jersey. The Workforce Advisory Committee works on vocational development for low-income individuals.
- The bank is represented on the Local Advisory Committee for a large organization that provides financial and technical assistance to non-profit Community Development Corporations (“CDC”).
- The bank is represented on the Board of Trustees and the Compensation Committee for an organization that trains individuals to develop future healthcare ministry leadership that primarily benefit low- and moderate-income communities.
- The bank is represented on the Donor Committee for an organization representing a consortium of financial institutions whose mission is to strengthen neighborhood-based qualified CDCs.
- The bank is represented on the Board of Directors for an organization that provides housing for disabled low- and moderate-income individuals in New York City. The bank’s representative serves as an Executive Vice President and chairs the Facilities Committee.