
Comptroller of the Currency
Administrator of National Banks
Plan

Strategic

Northeastern District
New York Metropolitan Field Office
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078

PUBLIC DISCLOSURE

December 31, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TD Waterhouse Bank, N.A.
Charter Number 22611

525 Washington Street, 4th Floor
Jersey City, New Jersey 07310

Office of the Comptroller of the Currency
Northeastern District
New York Metropolitan Field Office
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078

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.

INDEX

Glossary of Terms and Common Abbreviations	3
General Information.....	5
Institution's CRA Rating.....	5
Description of Institution.....	6
Description of TDW's Assessment Area.....	7
Scope of Examination.....	9
Conclusions with Respect to Strategic Plan Goals	
Community Development Loans and Commitments.....	10
Qualified Investments.....	11
Community Development Grants.....	12
Community Development Services.....	13
October 1996 to March 6, 1998 Intervening Activities	14
Appendix: Scope of Examination.....	15

Glossary of Terms and Common Abbreviations

Assessment Area (AA) - The geographic area which an institution selects as the community within which its regulator assesses the institution's record of CRA performance.

Consolidated Metropolitan Statistical Area (CMSA) - a regional statistical area comprised of more than one MSA as defined by the United States Census Bureau.

Community Development Loan - A loan whose *primary* purpose is community development. Community development loans specifically exclude loans that have been previously reported under the Home Mortgage Disclosure Act or as small loans to businesses and farms.

Community Development Service - A service that has community development as its *primary* purpose and is related to the provision of financial services.

Community Development Purpose - Defined by 12 C.F.R. § 25.12(h) as affordable housing (including multi-family rental housing) for low- and moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size eligibility standards of 13 C.F.R. § 121.802(a)(2) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

Community Reinvestment Act - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs of the institution's local community.

Income Levels - These relate to individuals, families, or the BNA's or CT's in a bank's assessment area.

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

Moderate = An income level that is at least 50% but less than 80% of the median income.

LMI = An income level that is less than 80% of the median income.

Middle = An income level that is at least 80% but less than 120% of the median income.

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

Median Family Income - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development (HUD) updates this figure annually using an estimated inflation factor.

Metropolitan Statistical Area (MSA) - A United States Census Bureau geographical area used in statistical analysis.

OCC - Office of the Comptroller of the Currency, Administrator of National Banks.

Qualified investment - A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

TDW - TD Waterhouse Bank, N.A.

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 **TD Waterhouse Bank, N.A. (TDW)** prepared by **The Office of the Comptroller of the Currency (OCC, or the Agency)** as of December 31, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

TDW elected to be evaluated under the strategic plan option. The bank's plan, approved by the Agency, sets forth goals for a **Satisfactory** performance.

Conclusions

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

TDW elected to be evaluated under the Community Reinvestment Act strategic plan option. TDW is rated "satisfactory" because the bank met its performance goals for year one and two of its three-year strategic plan approved by OCC in March 1998.

- TDW "substantially met" the 1998 qualified community development lending goal in terms of loan originations. The bank has "met" the performance goal for 1999.
- The bank met its goals for making community development grants of \$140 thousand in 1998 and \$180 thousand 1999.
- TDW met its planned goals for qualified community development investments in 1998 of \$14.4 million, rising to \$16.8 million in 1999.
- The community development service goal of active participation with three community development groups in 1998, and four groups in 1999 was met. In 1998, the bank took an active role with four groups and, they participated with six groups, in 1999.

Fair Lending Review

A fair lending examination was performed in conjunction with this CRA examination. We tested for discrimination on a gender basis by comparing loan terms of approved female borrowers to approved male borrowers for credit card loans. We selected a sample of 88

loans (38 denied female/ 50 approved male applicants) received in 1999 and compared female denied applicants to approved male borrowers. We also reviewed bank policies and procedures used to comply with the requirements of the fair lending regulations. Our analysis detected no evidence of disparate treatment and found satisfactory systems in effect to support the bank's fair lending compliance efforts. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.

Description of Institution

TD Waterhouse Bank is an interstate bank. The multistate institution has designated its assessment area to be comprised of two portions of the New York Consolidated Metropolitan Statistical Area (CMSA). One portion, MSA 5600, consists of the five boroughs of the City of New York, plus parts of Putnam, Westchester, and Rockland Counties. The other portion of the bank's assessment area is in New Jersey and it consists of all of Hudson and Essex counties (MSAs 3640 and 5640, respectively).

The bank's headquarters are located on the fourth floor of the Newport Tower at 525 Washington Boulevard, Jersey City, NJ. The bank moved from its former headquarters address at 1 North Lexington Avenue in White Plains, NY on December 15, 1997. There is one branch office, located in lower Manhattan, New York City at 100 Wall Street. The bank's premises are purely office space; it does not maintain traditional retail banking offices or operate any ATM's. Product offerings are limited; the bank does not engage in traditional retail banking activities. Customers can conduct business with the bank by telephone or by computer.

As of September 30, 1999, the bank's total assets were \$4.8 billion. At that date, investments totaled \$4.3 billion, and net loans totaled \$48 million. The majority of loans are credit card advances to customers and employees of TD Waterhouse Holdings. In addition, community development loans comprised 8.7% of the net loan portfolio at September 30, 1999. Total assets have increased from \$3.2 billion as of year-end 1998 to \$5.3 billion as of December 31, 1999.

TDW has two main customer bases, both of which access the bank's products and services primarily through non-traditional methods, including Internet and telephone. The U.S. retail brokerage customers of its affiliate, TD Waterhouse Investor Services, Inc., are the primary customer source. The second component of the bank's customer base is Canadian customers of Toronto Dominion Bank, its ultimate parent company.

The bank provides demand deposit accounts, NOW accounts, overdraft protection lines of credit, credit cards, and unsecured lines of credit. TDW also has a relationship with an

Internet mortgage provider that provides TDW's customers with purchase money mortgages; and a relationship with another financial institution that underwrites home equity lines of credit on TDW's behalf. The bank is currently concentrating its marketing efforts to the affinity customers of the Waterhouse brokerage firm.

The bank received its national banking charter on October 13, 1994. TD Waterhouse Bank was organized to provide limited financial services and products to Waterhouse Group's brokerage services customers. On October 15, 1996, TDW became an indirect subsidiary of Toronto-Dominion Bank when Toronto-Dominion purchased TD Waterhouse Holdings. TD Waterhouse Bank received designation as a limited purpose bank in September 1996. In 1998, the bank requested that it be examined for CRA compliance under the strategic plan option and voluntarily requested that the limited purpose classification be revoked. The bank's strategic plan was adopted in March 1998 and contains goals for the years 1998 through 2000.

TD Waterhouse Bank is a wholly owned subsidiary of TD Waterhouse Holdings, Inc. (Holdings). Holdings also owns 88.5% of TD Waterhouse Group, Inc. (Waterhouse Group); the remaining 11.5% of Waterhouse Group is publicly-owned. Waterhouse Group and its subsidiaries provide online discount brokerage services to retail customers in the U.S. and Canada. The bank has one subsidiary, Waterhouse Mortgage Services, Inc., which is inactive and has only nominal assets. Its lack of activity does not have a negative impact on the bank's ability to meet its community reinvestment goals

TDW's CRA performance was rated as "Satisfactory" at the October 29, 1996 examination. The bank at that examination was a "Limited Purpose" bank and was evaluated using evaluation standards for "Limited Purpose Institutions."

There are no impediments, legal or otherwise, that would impair the bank's ability to meet its CRA obligations.

Description of TDW's Assessment Area

The bank is an interstate bank. Its assessment area is contained within the New York/New Jersey consolidated metropolitan statistical area. The AA includes MSA 5600, which consists of all five boroughs of New York City, plus Putnam, Westchester, and Rockland Counties. The assessment area and CMSA also include all of Hudson (MSA 3640) and Essex (MSA 5640) counties in New Jersey. The assessment area meets applicable regulatory guidelines and does not arbitrarily exclude any areas.

The bank's assessment area consists of 3,141 census tracts within the New York CMSA distributed among the following income levels: Low 381 (12% of the total census tracts); Moderate 576 (18%); Middle 1,088 (35%); Upper 1,006 (32%); N/A of 90 (3%). The 1999 median family income in the assessment area was \$39,325 and the assessment area's total population was 11 million. Owner occupied units comprised 35% of the 4.0 million

housing units identified in the 1990 census.

The December 1999 unemployment rate in the assessment area was 4.2 percent, almost identical to the national unemployment rate of 4.1 percent. The metro NY/ Northern New Jersey economy has reflected the health seen in the U.S. economy for the last several years led by sustained and continuing strength in the financial services industry, which is a significant local employer in a highly diversified employment base.

Employment in Jersey City has benefitted from corporate relocations to newly constructed office space on the waterfront. Manhattan financial firms moving to the area include American Express, US Trust Co., PaineWebber, Cigna Insurance, and others. These relocations have combined to contribute at least 2,100 permanent jobs over and above hardhat employment during the building phase.

Waterfront construction projects still underway include: the 22 story Newport Tower IV; the Colgate Center project; and three apartment towers totalling 885 housing units. Work continues on two long-term transportation projects, the Allied Junction Transfer Station and the Hudson Bergen Light Rail Transit System. Three other housing developments will add another 1,694 residences in nearby Hoboken and West New York.

Major companies in the Newark, Essex County area are in the banking, insurance, and air transportation industries. Top employers include First Union Bank, Prudential Insurance, Continental Airlines, and Federal Express. The area is also home to several college and university campuses, including Rutgers University, the New Jersey Institute of Technology, Seton Hall University, and Essex County Community College. Larger health care facilities and major employers in the area include the University of Medicine and Dentistry of New Jersey, Beth Israel Medical Center, St. Barnabas Hospital, and St. Michael's Hospital.

The portion of TDW's assessment area located in New York state includes the five boroughs of New York City, as well as Putnam, Westchester, and Rockland counties. Putnam, Westchester, and Rockland are included because TDW's head office was formerly located in White Plains, NY. TDW moved to Jersey City from White Plains in December 1997. The bank intends to reevaluate its assessment area when it updates its existing strategic plan that expires December 31, 2000.

The New York City residential market is dominated by high rise multifamily apartment buildings. Multifamily housing stock constitutes 55% of all available units. According to 1990 U.S. Census data, the median housing value is \$186,350, and the housing stock's median age is 50 years. The total housing occupancy rate is 94%, of which 27% are owner-occupied units and 67% are rentals. Within the assessment area, 3% of owner-occupied units are in low income areas, and 10% of such units are in moderate income geographies. Manhattan leads the other boroughs in pricing and sales trends. Vacancy rates in Manhattan are generally low at about 3% because of the high cost of building, stringent zoning regulations, rent controls, and rent stabilization laws.

Business demographic data for 1998 provided by Dun and Bradstreet indicates there are approximately 259,000 businesses in the AA. Small businesses (businesses with revenues of \$1 million or less) total almost 191 thousand or 86% of the businesses reporting revenues. A substantial majority of the businesses employ less than 10 persons. New York City is also the headquarters for some of the largest companies in industries such as advertising, banking, finance, manufacturing, and service companies. The city is also the largest wholesale trade center in the United States for commodities. Retail trade in New York is centered in Midtown Manhattan. Queens and Brooklyn also have important wholesale and retailing districts. The unemployment rate for New York City was 6.6% in June 1999 compared to the state average of five percent.

Scope of Examination

We evaluated TDW to the plan goals that they established in its approved strategic plan. The bank submitted a plan to the OCC stating measurable goals in community development loans, grants and investments, and memberships in community development services. A copy of the strategic plan can be reviewed in the bank's CRA public file. The plan was approved by OCC on March 7, 1998. The plan contains goals in community development activities that need to be met to achieve "satisfactory" performance. Our assessment of TDW's progress in meeting its strategic plan goals is based on results from March 7, 1998 to December 31, 1999.

Examiners made two community contacts and used several previous contacts made during recent CRA examinations of other local institutions. These contacts are involved in community development and residential real estate in the assessment area. They revealed that community credit needs continue to include small business and loans for pre-development, construction, and residential mortgages for affordable multi-family and single family dwellings.

CONCLUSIONS WITH RESPECT TO STRATEGIC PLAN GOALS

The information in this section is presented in a manner consistent with the format contained in the bank's approved CRA strategic plan. A copy of the current strategic plan is available upon request from the bank.

Community Development Loans

The bank met the approved goals for a "satisfactory" rating. The strategic plan

established goals for annual originations of community development loans. Table 1 shows actual performance versus goals for 1998 and 1999

Table 1: Annual Originations of Community Development Loans			
Year	Goal for Year	Actual Performance for Year	Goal Met, Substantially Met, or Not Met
1998	\$3,600,000	\$1,693,765 of loans made	Substantially Met
1999	\$4,200,000	\$5,641,274 of loans made	Met

The bank has substantially met its goal in 1998 based on loan originations. TDW entered into seven legally binding loan agreements totaling \$5,750,000 with five qualified community development organizations for the purposes of financing construction and rehabilitation of affordable housing for LMI individuals. During that year, the bank advanced \$1,693,765 under four of those commitments. The bank approves its loans throughout the year and has no control over its borrowers' timing of loan draws. The completion record of the five nationally known community groups has historically been good and it is highly likely that the loans will be fully drawn down. In 1999, \$2.6 million of 1998 commitments were funded.

During 1999, the bank met its goal by funding \$5,641,274 of qualified community development loans and also had unfunded loan commitments totalling another \$8,434,731 at December 31, 1999. Funded commitments equalled 134% of goal in 1999. Loan disbursements in 1999 consisted of (1) a \$3 million advance to a Newark-based CDC under a commitment issued in 1999 and (2) advances of \$2,641,274 under commitments that had been issued in 1998. The \$3 million portion represented the complete (as opposed to partial) funding of a five-year, 4% annual interest rate loan that is below market rate. The proceeds of the loan were to finance the rehabilitation of affordable housing, education, and revitalization projects in LMI neighborhoods that benefit LMI individuals in Newark and Jersey City, New Jersey. The remaining \$2,641,274 of 1999 loan disbursements represents additional and/or partial fundings of loan commitments that were issued in 1998 and that are discussed in the paragraph above.

The bank's loans primarily finance affordable housing in the Newark and New York City areas. An example is a \$3 million, five year loan bearing below market rate interest at six percent per annum that will finance a CDC's rehabilitation of affordable housing in New York City, a commitment that was issued in 1999 and remained unfunded at year end.

Qualified Investments

The bank met the approved goals for a "satisfactory" rating. The strategic plan established goals for cumulative qualified investment levels to be met by the end 1998 and 1999. Table 2 shows qualified investments performance versus goals.

Table 2: Qualified Investments To Be Met by End of Year			
Year	Goal for Year-End	Actual Performance	Goal Met, Substantially Met, or Not Met
1998	\$14,400,000	\$26,525,000 of QI's made	Met
1999	\$16,800,000	\$53,895,000 of QI's made	Met

The bank's qualified investments include securities issued by local housing authorities in New York and New Jersey. These housing authorities help to assure that low and moderate-income families have access to affordable permanent shelter, primarily in Newark, NJ and New York, NY. Nineteen percent of these investments are located in New Jersey and 71% are in New York City,

Examples of these investments follow:

- \$ 1,315,000 consisted of bonds issued by a Newark-based municipal issuer
- \$ 8,000,000 consisted of bonds issued by a New Jersey statewide issuer that includes the New Jersey assessment area.
- \$40,085,000 consisted of bonds issued by two New York City-based issuers

Another example, of a qualified investment made in 1999, is an equity fund investment of \$2 million in low-income housing tax credits. The fund provides equity capital for affordable housing developed by neighborhood based non-profit CDC's in New York City.

The bank has also invested in eight separate credit unions that are all National Credit Union Administration insured, Low Income Designated credit union. TDW's investments in those institutions generally take the form of non-member deposits placed for longer than one year bearing below market interest rates, generally at two percent to two and one-half percent per year. Such deposits totaled \$465,000.

Community Development Grants

The bank has met its goals in 1998 and 1999 and is satisfactory for each time period. The strategic plan established goals for community development grants to be made each year.

Table 3 shows actual grant expenditures versus goals for 1998 and 1999.

Table 3: Annual Community Development Grants			
Year	Goal for Year	Actual Performance	Goal Met, Substantially Met, or Not Met
1998	\$140,000	\$156,000 of CD grants made	Met
1999	\$180,000	\$203,000 of CD grants made	Met

Grants made in 1998 totaled \$156,000. The bank funded \$203,000 of grants in 1999.

TDW's community development grants generally take the form of funds provided to cover the daily costs of operating organizations that promote affordable housing or provide social services, education-related assistance, daycare, and healthcare assistance for low and moderate income families and individuals in Metropolitan New York and New Jersey.

Community Development Services

The bank has met the requirements for a “satisfactory” rating for this goal in 1998 and 1999. Community Development Service goals represent the number of community development organizations with which the bank is actively involved either as a Director or Committee member. Table 4 shows actual performance versus goals for 1998 and 1999.

Table 4: Community Development Organizations			
Year	Goal for Year	Actual Performance	Goal Met, Substantially Met, or Not Met
1998	3	4	Met
1999	4	6	Met

One bank officer and a director are involved with six separate organizations whose activities encompass affordable housing, economic development, and health and social services in New York and New Jersey. Those individuals serve as directors or members of key advisory or operating committees of the community development organizations.

An example of one of the bank's community services is an organization whose Board of Trustees includes an officer of TDW. This NYC-based not-for-profit corporation provides training to primarily LMI individuals to develop social services skills to qualify them for jobs in medical and social services professions that serve LMI individuals. The bank officer serves on the finance and education committees.

Another example of TDW's community service is its membership in two committees of the Newark office of a nationally-active not-for-profit corporation organized in 1979 as a joint initiative by six corporations and the Ford Foundation. This organization is one of the architects of the HOME program, which became the centerpiece of the National Affordable Housing Act. The local programs target community development projects devoted to LMI families and individuals and include the development of child care centers, housing for the elderly, and the renovation and development of affordable housing primarily for LMI individuals.

Prior Period Activity

TDW was evaluated for CRA purposes as a Limited Purpose institution prior to its Strategic Plan designation for CRA. TDW was evaluated for CRA at its October 29, 1996 examination under the Limited Purpose designation. The bank was rated "Satisfactory". The following CRA qualifying activities of the bank were conducted in the intervening period between the 1996 Limited Purpose examination and the present Strategic Plan examination and are noteworthy. These community development activities were not factored into the present CRA performance evaluation.

- The bank made five qualified community development loans totaling \$1,305,000.
- The bank made \$190,140 of qualified community development grants.
- TDW officers actively supported three community development organizations.

Scope of Examination

Time Period Reviewed	3/7/98 to 12/31/99
Financial institution TD Waterhouse Bank, NA., Jersey City, NJ	Products reviewed Community development loans, grants and qualified investments
Affiliate(s)	Affiliate relationship
The Toronto-Dominion Bank, Toronto, Canada	Ultimate parent (owns 100% of TD Waterhouse Holdings, Inc.)
TD Waterhouse Holdings, Inc.	Parent holding company
TD Waterhouse Group, Inc. (owned 88.5% by TD Waterhouse Holdings and 11.5% by public)	Common ownership by TD Waterhouse Holdings, Inc.
TD Waterhouse Investor Services, Inc.	Wholly-owned subsidiary of TD Waterhouse Group, Inc.
National Investor Services Corp.	Wholly-owned subsidiary of TD Waterhouse Group, Inc.
TD Waterhouse Asset Management, Inc.	Wholly-owned subsidiary of TD Waterhouse Group, Inc.
TD Waterhouse Advertising, Inc.	Wholly-owned subsidiary of TD Waterhouse Group, Inc.
Marketware International, Inc.	Wholly-owned subsidiary of TD Waterhouse Group, Inc.
Waterhouse Mortgage Services, Inc.	Wholly-owned subsidiary of TD Waterhouse Bank NA
List of Assessment Areas and Type of Examination	
Assessment Area	Type of Exam/ Branches Visited
New York CMSA	Strategic Plan/Two