



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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**Public Disclosure**

November 4, 1998

**Community Reinvestment Act  
Performance Evaluation**

**Asia Bank, N.A.  
Charter Number: 18432  
135-34 Roosevelt Avenue  
Flushing, New York 11354**

**Comptroller of the Currency  
Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, New York 10036**

**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.**

## 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 **Asia Bank, N.A., Flushing, New York** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 4, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

The major factors supporting the institution's rating include:

- C The average loan-to-deposit is considered reasonable for this institution.
- C A good portion of the loans and commitments originated during the assessment period was to small businesses.
- C A good portion of originations and commitments within the bank's assessment areas is to low- and moderate-income census tracts.

The following table indicates the performance level of **Asia Bank, N.A.** with respect to each of the five performance criteria. This institution was evaluated for its performance during the assessment period of January 1, 1996 through July 30, 1998.

Small Institution Assessment Criteria	Asia Bank, N.A. Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area			X
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints have been received since the prior CRA examination.		

## **DESCRIPTION OF THE INSTITUTION**

Organized in 1984, Asia Bank, N.A. is a wholly-owned subsidiary of Asia Bancshares, Inc., a one-bank holding company. At June 30, 1998, this community bank had total assets of \$249 million. The bank operates from its main office in Flushing, New York (Queens County) and two branches located in Elmhurst, New York (Queens County) and Chinatown, New York (New York County). All the branches are located in economically vibrant and expanding Asian-American communities.

The bank's primary business focus is small business lending, especially to the Asian community in New York City. As of June 30, 1998, net loans represent 58 percent of total bank assets, with loans secured by real estate representing 93 percent of the loan portfolio. In addition, the bank has an additional \$20.6 million in loan commitments and \$3.1 million in letters of credit. Consumer lending is a secondary focus, and represents less than 1 percent of the bank's loan portfolio. The bank also originates and sells conforming residential mortgages to Fannie Mae.

Asia Bank offers traditional deposit products, including checking, savings and time deposit accounts. In terms of credit products, the bank's offerings include commercial mortgages, business lines of credit, Small Business Administration (SBA) and Overseas Chinese Credit Guarantee Fund (OCCGF) loans, letters of credit, and overdraft protection. Consumer loans offered include residential mortgages, home improvement loans, personal loans, automobile loans, and overdraft protection. Other services offered include wire transfers, collections, safe deposit boxes and traveler's checks. The bank operates three automated teller machines (ATM) at the Flushing and Elmhurst branches.

There are no impediments identified, legal or otherwise, which would hinder the institution's ability to help meet the credit needs in its assessment areas. Local competition is intense, especially in Flushing and Chinatown, with numerous financial institutions operating within the bank's market area. There are approximately 28 financial institutions represented in the Greater Flushing area alone. This includes multinational and regional institutions as well as other Asian banks. Asia Bank's CRA performance was last evaluated as Satisfactory in February 1996.

## **DESCRIPTION OF ASSESSMENT AREAS**

The institution's assessment areas (AA) meet all regulatory guidelines and do not arbitrarily exclude low- and moderate-income areas. Asia Bank has designated two separate assessment areas. The bank designated the northern portion of Queens County as one assessment area since the Flushing and Elmhurst branches are located within this area. The bank also designated the lower portion of New York County (Manhattan) as a separate assessment area since the Chinatown branch is located within this area. New York and Queens Counties comprise a portion of the New York Metropolitan Statistical Area (MSA) 5600. Combined, the two assessment areas contain 307 census tracts. Of these tracts, 4 percent are low-income, 20 percent moderate-income, 43 percent middle-income, and 30 percent upper-income. Income information is not available for 3 percent of the tracts. The MSA's 1990 census median family income is \$37,515. Economic conditions within the two assessment areas are stable and employment opportunities are diverse.

## **DESCRIPTION OF ASSESSMENT AREAS (continued)**

### Northern Queens Assessment Area

The northern Queens assessment area contains 248 census tracts. Of these tracts, 1 percent is low-income, 20 percent moderate-income, 50 percent middle-income, and 26 percent upper-income. Income information is not available for 3 percent of the census tracts in the assessment area. The total population of this assessment area is 805 thousand. Two percent of the population resides in low-income census tracts, 22 percent moderate-income, 53 percent middle-income, and 23 percent upper-income. Each neighborhood of Queens offers a variety of housing choices, from apartments to single-family homes. Of the total number of occupied housing units in northern Queens, 32 percent are owner-occupied. The remaining units are rented, usually to long-term tenants.

Northern Queens has a diverse economy, including aviation, television and motion picture production and manufacturing. There are a large number of businesses located in northern Queens, from small retail stores to large manufacturers. No single company or industry is dominant, although health services, air transportation, and services are major sectors. Primary credit needs in this assessment area, as documented by contacts with local community groups, are flexible housing and home rehabilitation products.

### Lower Manhattan Assessment Area

The lower Manhattan assessment area contains 59 census tracts. Of these tracts, 19 percent are low-income, 22 percent moderate-income, 17 percent middle-income, and 41 percent upper-income. Income information is not available for 1 percent of the census tracts in the assessment area. The total population of this assessment area is 267 thousand. Nineteen percent of the population resides in low-income census tracts, 31 percent moderate-income, 16 percent middle-income, and 33 percent upper-income. There is no income information available for 1 percent of the population. Housing is primarily multi-family in nature, including public housing, with only 14 percent of residents in owner-occupied units.

A vast number of businesses of varying sizes are scattered throughout lower Manhattan. They include a multitude of service and retail businesses as well as garment and food-related businesses. The financial services industry is another prominent sector in lower Manhattan, with a number of major financial institutions headquartered in the area. Credit needs in this assessment area, as documented by contacts with local community groups, are small business and trade-finance lending.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The average loan-to-deposit ratio is considered reasonable. For the ten calendar quarters during the assessment period, the bank's average loan-to-deposit ratio was 62 percent. When consideration is given to the residential mortgages sold to Fannie Mae, the increase in the loan-to-deposit ratio is not significant.

### Lending in Assessment Areas

Less than a majority of the loans and commitments originated during this assessment period were within the institution's two assessment areas. During the assessment period, the bank originated 383 loans and commitments totaling \$114.8 million. Of the total number of loans and commitments originated, 189 loans or 49 percent were within the bank's two assessment areas. In terms of dollars, \$53.3 million or 46 percent of total loans were within the bank's two assessment areas. Management indicated that due to the intense level of competition in the Flushing and Chinatown markets, the bank also pursued lending opportunities outside its two assessment areas. We noted that there were a number of loans originated in all five counties of New York City. This included lending to the portions of Queens (southern Queens County) and Manhattan (upper Manhattan) which were excluded from the assessment areas because the bank did not have any branches in these areas.

<b>Loan Originations and Commitments</b> <b>January 1, 1996 through July 30, 1998</b> (loans in \$ thousands)						
Type of Loan	Inside Assessment Areas				Outside Assessment Areas	
	Northern Queens		Lower Manhattan		# Loans	\$ Loans
	# Loans	\$ Loans	# Loans	\$ Loans		
Commercial	86	10,767	16	1,389	82	16,494
Commercial Mortgage	47	25,832	16	11,466	76	38,160
Residential Mortgage	24	3,808	0	0	36	6,904
Totals	157	40,407	32	12,855	194	61,558

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

### **Business Lending:**

Eighty-four percent of the number of loans originated during the assessment period were business-related. Of the 323 business loans originated, 165 loans or 51 percent were made in the bank's two assessment areas. Of these 165 loans, 152 or 92 percent are considered small business loans. This reflects a reasonable level of attention to small business credit needs in the two assessment areas.

The institution does not collect business revenue data, therefore, the loan size is used as a proxy for assessing small business lending. As defined in the instructions for the Consolidated Report of Condition and Income (Call Report), a small business loan is a loan with an original amount of \$1 million or less.

<b>Business Loan Originations and Commitments by Business Size (loans in \$ thousands) January 1, 1996 through July 30, 1998</b>						
Loan Size	Northern Queens Assessment Area		Lower Manhattan Assessment Area		Totals	
	# Loans	\$ Loans	# Loans	\$ Loans	# Loans	\$ Loans
< 100	46	1,818	8	409	54	2,227
100 - 250	49	6,755	11	1,515	60	8,270
250 - 1,000	29	15,761	9	4,881	38	20,642
> 1,000	9	12,265	4	6,050	13	18,315
<b>Totals</b>	133	36,599	32	12,855	165	49,454

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes** (continued)

**Residential Mortgage Lending:**

Although the volume of residential mortgage lending is low, when compared to the bank's business lending, it is reasonably distributed among individuals of different income levels. Of the 60 residential mortgages originated, 24 loans totaling \$3.8 million were made in the northern Queens assessment area. There were no residential mortgages extended in lower Manhattan assessment area since the number of such opportunities is limited. Of these loans, two were made to borrowers whose income is considered moderate, seven whose income is considered middle, and 14 whose income is considered upper. There were no residential mortgages extended to any borrowers whose income is considered low. In addition there was one loan originated for the purchase of a multi-family dwelling; therefore, the income level is not applicable. These calculations are based on the Department of Housing and Urban Development (HUD) 1998 MSA Median Family Income of \$49,800. Within the northern Queens assessment area, 2 percent of the families have incomes considered low, 22 percent considered moderate, 53 percent considered middle and 23 percent considered upper.

During the assessment period, Asia Bank also originated 22 consumer loans, i.e., instalment loans and overdraft protection lines, totaling \$213 thousand. These types of loans were not included in the analysis since they represent less than 1 percent of loans outstanding.

<b>Residential Mortgage Originations by Borrower Income (loans in \$ thousands) January 1, 1996 through July 30, 1998</b>					
<b>Borrower Income Level (based on HUD 1998 MSA Median Income)</b>	<b>Northern Queens Assessment Area</b>				
	<b>% of Total Families</b>	<b># Loans</b>	<b>%</b>	<b>\$ Loans</b>	<b>%</b>
Low-Income	2%	0	0	0	0
Moderate-Income	22%	2	8	146	4
Middle-Income	53%	7	29	971	25
Upper-Income	23%	14	59	2,301	61
Not Applicable	0%	1	4	390	10
<b>Totals</b>	100%	24	100	3,808	100

### Geographic Distribution of Loans

Loans are reasonably distributed among the various income geographies, with a good portion of originations made to low- and moderate-income (LMI) census tracts. During the assessment period, Asia Bank originated 78 loans totaling \$23.7 million in LMI census tracts. This represents 42 percent of the total number of originations within the assessment areas. Asia Bank's penetration is consistent with the tract composition of the bank's assessment areas. The bank's penetration in low-income census tracts is adequate with 2 percent of total originations to low-income census tracts, which represent only 4 percent of total tracts in the bank's assessment areas. The bank's penetration in moderate-income census tracts is strong with 40 percent of total originations to moderate-income census tracts, which represent 20 percent of total tracts in the assessment area.

During the concurrent Fair Lending examination, no violations of anti-discrimination laws and regulations were identified.

<b>Geographic Distribution (by Census Tract) of Loans Originated Within Both Assessment Areas January 1, 1996 through July 30, 1998 (loans in \$ thousands)</b>					
<b>Census Tract</b>	<b>% in AA</b>	<b># Loans</b>	<b>%</b>	<b>\$ Loans</b>	<b>%</b>
Low-Income	4	3	2	1,060	2
Moderate-Income	20	75	40	22,626	42
Middle-Income	43	70	37	18,365	34
Upper-Income	30	40	21	10,711	21
Not Available	3	1	0	500	1
<b>Totals</b>	<b>100</b>	<b>189</b>	<b>100</b>	<b>53,262</b>	<b>100</b>

## PERFORMANCE IN THE NORTHERN QUEENS ASSESSMENT AREA

During the assessment period, 157 loans totaling \$40.4 million were originated in the northern Queens assessment area. This represents 83 percent of the total number and 76 percent of the total dollar volume of loans originated in the two assessment areas.

A substantial majority of Asia Bank's lending in the northern Queens assessment area is business-related. Of the 157 loans originated, 133 were business loans. In terms of dollars, business loans represent 91 percent of the total loans originated in the northern Queens assessment area. Of these 133 business loans, 124 loans or 93 percent, are considered small business loans. These loans, totaling \$24.3 million, represent 66 percent of the total dollar volume of business loans originated in the northern Queens assessment area.

The remaining 24 loans originated in the northern Queens assessment area were residential mortgages. A discussion on the bank's residential mortgage lending can be found in the [Lending to Borrowers of Different Incomes and to Businesses of Different Sizes - Residential Mortgage Lending](#) section of this evaluation.

The geographic distribution of loans in the northern Queens assessment area shows a good distribution among the various income areas. Of the 157 loans originated, 38 percent were in moderate-income census tracts, 43 percent in middle, and 18 percent in upper. No loans were made to low-income census tracts. There are only two census tracts in the northern Queens assessment area that are considered low-income.

<b>Geographic Distribution (by Census Tract Type) of Loans Originated Within the Northern Queens Assessment Area January 1, 1996 through July 30, 1998 (loans in \$ thousands)</b>					
<b>Census Tract</b>	<b>% in AA</b>	<b># Loans</b>	<b>%</b>	<b>\$ Loans</b>	<b>%</b>
Low-Income	1	0	0	0	0
Moderate-Income	20	60	38	18,662	46
Middle-Income	50	68	43	17,355	43
Upper-Income	26	28	18	3,890	10
N/A	3	1	1	500	1
<b>Totals</b>	100	157	100	40,407	100

## PERFORMANCE IN THE LOWER MANHATTAN ASSESSMENT AREA

During the assessment period, 32 loans totaling \$12.9 million were originated in the lower Manhattan assessment area. This represents 17 percent of the total number and 24 percent of the total dollar volume of assessment area loans originated in the two assessment areas.

All lending in this assessment area is business-related. The number of residential mortgage opportunities is limited since housing in this assessment area is primarily multi-family in nature, including public housing, with only 14 percent of residents in owner-occupied units. Of the 32 business loans originated, 28 loans were considered small business loans. These loans, totaling \$6.8 million, represent more than half the total dollar volume of business loans originated in the lower Manhattan assessment area.

The overall geographic distribution of loans in the lower Manhattan assessment area shows a reasonable distribution among the various income areas, indicating that the bank extended credit in low- and moderate-income (LMI) areas of lower Manhattan as well as middle- and upper-income areas. Of the 32 loans originated, 9 percent are in low-income census tracts, 47 percent in moderate, 6 percent in middle, and 38 percent in upper. Penetration in LMI tracts is good, with 56 percent of total originations made to LMI tracts. Low- and moderate-income census tracts comprise 41 percent of the total number of census tracts in lower Manhattan.

<b>Geographic Distribution (by Census Tract Type) of Loans Originated Within the Lower Manhattan Assessment Area January 1, 1996 through July 30, 1998 (loans in \$ thousands)</b>					
<b>Census Tract</b>	<b>% in AA</b>	<b># Loans</b>	<b>%</b>	<b>\$ Loans</b>	<b>%</b>
Low-Income	19	3	9	1,060	8
Moderate-Income	22	15	47	3,964	31
Middle-Income	17	2	6	1,010	8
Upper-Income	41	12	38	6,821	53
N/A	1	0	0	0	0
<b>Totals</b>	<b>100</b>	<b>32</b>	<b>100</b>	<b>12,855</b>	<b>100</b>