LIMITED PURPOSE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 12, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DSRM National Bank
Charter Number: 23097

5600 Wyoming Blvd, NE, Suite 275
Albuquerque, NM 87109

Office of the Comptroller of the Currency

CREDIT CARD BANKS
7101 College Boulevard, Suite 1600
Overland Park, KS 66210

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.

INSTITUTION'S CRA RATING:

This institution is rated Satisfactory.

The conclusions for the three rating criteria are:

- DSRM National Bank (DSRM) demonstrates an adequate level of community development (CD) lending, CD services and qualified investment activity.

- DSRM demonstrates occasional use of complex CD loans. They do not use innovative or complex qualified investments and CD services. However, DSRM's narrow focus, expertise, and small staff limit its ability for involvement in complex CD investments or services.

- DSRM demonstrates excellent responsiveness to credit and CD needs in its assessment area (AA).

Scope of the Examination

In evaluating the bank's performance under the Community Reinvestment Act (CRA), we reviewed CD activities from June 7, 2004 through January 12, 2009. We reviewed the level and nature of qualified investments, and CD services. At the bank's request, we also considered CD lending provided through its ultimate parent company Valero Energy Corporation (Valero). At the prior examination dated June 7, 2004, we rated the bank Satisfactory.

If a bank has adequately addressed its AA needs, the OCC considers CD activities the bank submits that benefit areas outside of its AA in the evaluation of its performance. The bank has adequately addressed the needs of its AA when considering the limited opportunities for qualified investments in the AA. Therefore, qualified investments originated outside of its AA were considered in evaluating its performance.

Description of Institution

DSRM is a $3 million bank located in Albuquerque, New Mexico. It has no branch offices, and operates as a Competitive Equality Banking Act (CEBA) limited purpose credit card bank. The bank was chartered on October 1, 1996 and simultaneously received its designation as a limited-purpose bank for purposes of the CRA.

CEBA limited purpose banks offer only a narrow product line and are restricted from participation in most activities common to full service banks such as deposit transaction accounts, making or purchasing loans other than credit card loans, safe deposit box rentals, or an ATM network. CEBA banks may only accept savings and time deposits in amounts of $100 thousand and greater. In addition, legal restrictions prohibit the bank from making CD loans, and the ability to provide CD services is limited due to the specialized financial expertise of bank employees. DSRM in Albuquerque currently only has six employees, including the President.

They had seven employees through most of the evaluation period; however, all these legal and physical restrictions significantly limit DSRM's ability to help meet community credit needs within its AA.

The ultimate parent company, Valero, is a Fortune 500 oil refining and marketing company headquartered in San Antonio, Texas, with refineries in the United States, Canada, and Aruba. Retail outlets of Valero are located primarily in the southwestern portion of the United States, although recently opened stores are found as far north as Maine and along the east coast. DSRM's operations are performed by Valero Payment Services Company (VPSC), a wholly owned subsidiary of Valero in Amarillo, Texas.

DSRM offers proprietary credit cards under the brand names of Diamond Shamrock, Beacon, Shamrock, and Valero. The bank's private label consumer credit cards primarily support Valero's core business of refining and petroleum sales and cards may only be used for the purchase of gas and items in the company stores attached to the gas stations. All outstanding balances of the credit card accounts are purchased by VPSC without recourse to DSRM. Therefore, the bank does not have any credit card receivables or exposure to credit loss. These are known as "pass-through receivables" and are used in measures of CRA performance in later tables.

During the evaluation period, the bank switched the configuration of its credit card product from a closed end, single pay card to a revolving card. The effect of this can be seen in the increase of pass-through receivables between year-end 2005 (when the change was made) and year-end 2006. This impact continued with increases through the most recent quarter ended September 30, 2008. The increases in pass-through receivables in 2007 are also compounded by increases in gasoline prices from over $2 a gallon at the beginning of 2007 to over $3 a gallon at the end of 2007 until its recent spike at about $4 a gallon in July 2008. These significant increases will have an impact on calculations in performance of qualified investment and community development lending percentages. This and other financial information is summarized in Table 1 below and will be used later in the Performance Evaluation to provide a perspective on the bank's capacity to help meet the needs of its AA.

Table 1: Financial Information (000s)

	Year-end 2004	**Year-end 2005**	**Year-end 2006**	**Year-end 2007**	**Most Recent Quarter-end 09/30/2008**	**Average for Evaluation Period**
Tier 1 Capital	2,467	2,536	2,616	2,700	2,765*	2,617
Total Income	763	774	851	859	811**	812
Net Operating Income	94	109	127	135	137**	120
Total Assets	3,010	3,079	3,176	3,242	3,301*	3,162
Pass-Through Receivables	70,173	80,322	110,713	133,938	151,054*	109,230

Source: Consolidated Report of Condition and Income and bank reported data. *Actual data reported.
**Annualized data reported.

Description of Assessment Area

DSRM's AA is the Albuquerque Metropolitan Statistical Area (MSA) #10740. This includes Bernalillo, Sandoval, Valencia and Torrance counties. The bank's AA is legal and does not arbitrarily exclude any low- or moderate-income (LMI) areas.

The Albuquerque MSA is the largest urbanized area in New Mexico with nearly three quarters of a million in population. The 2007 weighted average of the HUD updated Albuquerque MSA Median Family Income is $58 thousand. The median home price for the same year was $200 thousand which, at nearly 3.5 times the income, makes it hard for the theoretical median family to afford the median house. On the positive side, housing foreclosures in Albuquerque were below the national trends in large part because Albuquerque has not seen the job layoffs and home price inflation of other communities across the southwest.

Local economic conditions over the most recent year ended have somewhat followed the financial turmoil across the rest of the country, but at a much less severe level. The MSA unemployment rates over the evaluation period had actually decreased from a high of 5.3 percent in 2004 to 3.5 percent in 2007, but they increased again in 2008 with an 11 month average of 4.0 percent. This is below the national averages, which were at 5.7 percent for the same 11 month period. In Albuquerque, the governmental sector remains the largest employer followed by technology companies, and the health care industry.

Demographics for low- through upper-income geographic, family, and business dispersion are in the Albuquerque MSA are in Table 2 below.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	195	4.10%	26.67%	38.97%	27.69%
Families	187,508	2.23%*	26.00%*	40.59%*	31.18%*
Small Businesses	38,854	1.93%**	23.32%**	45.25%**	29.50%**

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data. Tracts do not add to 100% due to five Census Tracts that are not income-categorized. *Represents families by income level. **Represents businesses by income level of census tract.

Opportunities for CD activities, whether qualified investments, services, or loans, are somewhat limited due to competition from other larger financial institutions in the area attempting to secure the same CRA credit. During the examination we met with a community representative to gain their perspective on the local economy, opportunities, and performance of financial institutions in meeting the credit needs of the community. Our contact was with a credit counseling organization which also provides training in financial literacy. The contact indicated there was a great need for increased funding of foreclosure and mortgage counseling sessions. They presently have more demand than they have capacity to provide counseling for, even though Albuquerque has been more insulated from the mortgage crisis than some other places in the country.

We also reviewed information previously gathered from two other community contacts with representatives of a small business organization which also provides training, consulting, and a revolving loan fund, and with a low-income legal advocate.

Both contacts indicated their needs were being met by several large and regional bank organizations. There is strong competition among financial institutions to provide financial services and meet their CRA obligations in the Albuquerque MSA. Many of these large regional institutions vie for a part of available CD opportunities. Institutions having a significant presence in the area are: Wells Fargo Bank, N.A., Bank of America, N.A., Bank of Albuquerque, N.A., and First Community Bank. Contacts stated that primary credit needs include funding for organizations that make funds available to small businesses which do not meet traditional bank credit criteria, financial literacy training, and low-income services such as day care and job training to support the working poor.

Conclusions about Performance

Summary

During the evaluation period, DSRM had an adequate level of CD activity, given available opportunities for limited-purpose banks, competition from full-service financial institutions, and limited staff resources. In addition, the increase in pass-through receivables based on a product change had an impact on the bank's performance measures, as detailed in later sections of the Performance Evaluation.

- Qualified investment activity is adequate considering that there were no investments available to the bank. DSRM's investment dollars are all grants and donations with no special expertise required to fund them. The bank provided $219 thousand to several organizations benefiting small business, affordable housing, and LMI individuals in their AA, as well as $133 thousand to a nonprofit consumer credit service organization that provides counseling services to LMI individuals across the country. Combined, this donation activity represents 13 percent of average Tier 1 Capital, and 43 percent of average total income, but only 0.3 percent of average pass-through receivables.

- CD lending activity, made through the parent on behalf of the bank, is adequate. It consists of the renewal of $60 thousand in three CD loans to a non-profit organization which serves small business needs, and one new $20 thousand CD loan to another small business non-profit support organization. The combined CD loans represent 3 percent of average Tier 1 Capital and 10 percent of average total income, but only 0.07 percent of average pass-through receivables. The bank has made a reasonable effort to originate similar CD loans through its parent, but because of competition and the availability of much larger lines from other area financial institutions, it has been difficult to place additional CD loans of this smaller size.

- CD services provide a high level of hours to a non-profit organization which supports small businesses. This is particularly noteworthy with the limited staff available at the bank.

DSRM had no innovative or complex qualified investments or CD services. However, the CD loans are considered complex because neither the bank nor the parent corporation has any expertise in this type of lending.

DSRM exhibits excellent responsiveness to credit and community development needs. The bank leverages its assistance to non-profit organizations by providing each organization not just donations, but also loans, and/or services to assist small businesses and affordable housing projects. The bank's three-pronged assistance enables these organizations in turn to provide the needed funding not available through traditional bank loans. Additional support through donations is provided by the bank to organizations that provide financial literacy services to LMI individuals. As noted by a community contact, the financial literacy services is a significant need nationwide, not only in the AA.

Qualified Investments

During the evaluation period, the bank provided a total of over $352 thousand in grants and donations to local community organizations as summarized in Table 3 below. The investments are not innovative or complex, but are highly responsive to the CD needs of the community. Without actual investments available to the bank, the dollars are relatively small compared to some other CEBA bank investments. However, the dollar amount does represent an increase from $266 thousand at the last examination, as well as an expansion in organizations served, including:

- Over $118 thousand to a CD organization dedicated to extending micro and small business loans to low-income individuals. The investment in the individuals with small entrepreneurial initiatives not only encourages their economic self-reliance, but also stimulates economic growth through job creation. Many of the recipients of these loans do not qualify for conventional financing.

- $50 thousand to an education foundation that benefits LMI students. Per written agreement with a local community college, the bank funds scholarships for students with financial need enrolled in various degreed programs.

- Over $133 thousand to a national consumer credit service organization that benefits individuals who reside in locations across the United States. The organization provides free counseling services primarily to LMI individuals. Because the bank has adequately met the needs of its own AA, these additional nationwide investments are given positive consideration.

- DSRM donated the remaining funds to organizations that provide shelter to the homeless, affordable housing, micro loans to small businesses, and educational services targeted to LMI individuals.

Table 3: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	0	0	0
Originated Grants	219	133	352
Prior-Period Investments that Remain Outstanding	0	0	0
Total Qualified Investments	219	133	352

In addition to the increase in the dollar amount of donations, other measures of qualified investment activity are calculated in ratios, as noted in Table 4 on the following page. DSRM's performance has improved since the last Performance Evaluation in the measure of total investments compared to both average Tier 1 Capital (which was 12 percent at the last examination) and average total income (which was 37 percent at the last examination) as compared to the increased percentages shown in the table below. The comparison to pass-through receivables has dropped slightly to 0.3 percent. This is due to the significant increase in pass-through receivables as described earlier in the Description of Institution section of this report.

Table 4: Qualified Investment Percentages

	Benefit AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	8%	5%	13%
Total Investments/Average Total Income	27%	16%	43%
Total Investments/Average Pass-Through Receivables	0.22%	0.13%	0.3%

Community Development Lending

At the bank's request we considered CD loans payable through Valero on behalf of the bank. The level of activity and responsiveness to CD needs is considered adequate. The loans are not innovative, but because neither the bank nor the parent corporation has any expertise in this type of lending, the loans are considered complex. The loans are also flexible because of their nominal interest rate, and the fact that all interest earned on the loans has been contributed back to the organizations.

The new loans and renewals provided a total of $80 thousand for CD lending over the evaluation period. This is a decrease from $100 thousand at the last examination. As a result, the ratios in Table 5 below have also decreased slightly. Loans at this examination are made to two different New Mexico CD organizations, headquartered in Albuquerque. Although the new loan does not restrict the proceeds to the bank's AA, the organization does serve a statewide market that includes the AA. Both of these non-profits provide small business lending to individuals who have limited or no access to traditional bank credit because of their size, lack of credit history, collateral, training, or have very small capital needs.

Table 5: Community Development Lending Percentages

	Benefits AA(%)
Total CD Lending/Average Tier 1 Capital	3%
Total CD Lending/Average Total Income	10%
Total CD Lending/ Average Pass-Through Receivables	0.07%

Community Development Services

DSRM is actively involved in providing CD services and has positively impacted the AA. Over the evaluation period, the bank contributed a total of 2,763 hours of community service to organizations that target services to small businesses, affordable housing, and educational services for LMI individuals. Although this represents a decrease in hours from the last examination, it also represents an increase in organizations served. DSRM has also lost staff during the evaluation period. The continuation of this level of service is reflective of the bank's excellent responsiveness to the needs of the community.

Over 80 percent of the total hours were provided to a local CD organization that provides micro and small business loans to entrepreneurial businesses and individuals. On a weekly basis, the bank provides one employee for one day each week to assist the organization with client files and data entry. This service is not considered innovative or complex, but is considered a substantial contribution particularly since the bank has only six employees. Other services include board and loan committee meetings for a local CD loan fund, affordable housing, and other non-profit organizations which provide educational and other services targeted to LMI individuals.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

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 with 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.

Assessment Area (AA): A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area: A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

CEBA: Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a "bank holding company" under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than $100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

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 10-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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

(i) Low-or moderate-income geographies;
(ii) Designated disaster areas; or

(iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-

a. Rates of poverty, unemployment, and population loss; or
b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Limited Purpose Institution: An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

Median Family Income (MFI): The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income –** An income level that is less than 50% of the MFI.
- **Moderate-Income –** An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income –** An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income –** An income level that is 120% or more of the MFI.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, "PreTax Operating Income (TE)"*]

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

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. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, "Net Tier One"*]

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, "Total Assets"*]

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than $100 million, line 5c or UBPR, page 2, "Total Interest Income" and "Noninterest Income"*]