



**Comptroller of the Currency
Administrator of National Banks**

Public Disclosure

September 30, 1997

Community Reinvestment Act Performance Evaluation

**JCPenney Card Bank, N.A.
Charter Number 22465
East and Clark Streets
P.O. Box 247
Harrington, Delaware 19952**

**Office of the Comptroller of the Currency
Maryland/National Capital Area Field Office
1025 Connecticut Avenue, NW
Suite 708
Washington, D.C. 20036**

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 the 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 **JC Penney Card Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution’s supervisory agency, as of **September 30, 1997**. The agency evaluates performance in the institution’s assessment area, as delineated by the institution, rather than individual branches. This assessment area evaluation included a visit to the institution’s only branch. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR 25.

Institution’s CRA Rating: This institution is rated **SATISFACTORY**. The primary reasons supporting this rating include:

- Investments totaling \$685 thousand, \$280 thousand of which were purchased during the review period;
- Grants and contributions totaling \$40 thousand; and
- A good level of community development services.

Description of Institution

JCPenney Card Bank, N.A. (hereinafter referred to as JCPCB) commenced operations in 1993 as a credit card bank that has one location in Harrington, Delaware. JCPCB has limited banking powers under its charter and United States banking laws. The bank is limited to: 1) providing loans to customers through credit cards only; 2) raising customer deposits through savings and time deposits in excess of \$100 thousand only; and 3) one office that accepts deposits. JCPCB has been designated a limited purpose bank for purposes of evaluation under the Community Reinvestment Act.

JCPCB is wholly-owned by the JCPenney Company. By the end of 1997, it is projected that its other bank, the JCPenney National Bank (JCPNB), will finalize the sale of its assets and surrender its national bank charter. Due to prior loan participation arrangements between the two banks and 1997 joint asset sales, JCPCB assets have shrunk significantly. JCPCB experienced net operating losses in 1996 and year to date in 1997. The combination of losses and reduction in size of the bank have contributed to a reduced ability to perform under the Community Reinvestment Act.

The results of JCPCB's changing strategic focus can be seen in the following chart that shows a much smaller institution as of August 31, 1997.

Financial Category	August 31, 1996	August 31, 1997	\$ Decrease	% Decrease
Total Assets	\$172 million	\$87 million	\$85 million	49.4
Credit Card Receivables	\$165 million	\$29 million	<i>\$136 million</i>	<i>82.4</i>
Deposits	\$145 million	\$71 million	\$74 million	51.0

Description of the Assessment Area

JCPCB's assessment area includes the northernmost portion of Sussex County, which is south of Kent County and not in a Metropolitan Statistical Area, and Kent County which is in a Metropolitan Statistical Area. The three Sussex County Block Numbering Areas (BNA's) are contiguous to Kent County. The bank serves its community from its one office located at East and Clark Streets in Harrington, Delaware.

The assessment area is rural and primarily farmland. The current economic environment is stable with the industries focused in agriculture and manufacturing. The primary employers in the area are those associated with food processing. Information on opportunities for community service and credit needs within the assessment area was developed from discussions with bank management and a review of prior community contacts performed by the OCC and other federal regulatory agencies. The outside

contacts disclosed the primary credit needs within the assessment area are for affordable housing and the rehabilitation of existing housing.

The following table provides relevant demographic detail for the assessment area.

Income Characteristic	# of Census Tracts/BNA's	% of Census Tracts/BNA's	# of Households	% of Households
Low	0	0%	0	0%
Moderate	2	6%	1,574	4%
Middle	26	79%	39,886	85%
Upper	5	15%	5,323	11%
Not Available	0	0%	0	0%
TOTAL	33	100%	46,783	100%

Additional data from the 1990 U.S. Census concerning the attributes of the bank's assessment area:

Population	130,763
Median Family Income	\$33,791
Median Housing Value	\$78,477
Median Age of Housing	28 years

CONCLUSIONS WITH RESPECT TO PERFORMANCE

SUMMARY

The assessment period for this CRA review covered January 1, 1996 through September 30, 1997.

In its assessment area and the broader statewide area, JCPCB made an adequate level of qualified community development investments and participated in an adequate number of community development services based on the bank's size and capacity. The bank's participation in the community is targeted toward investments, grants and contributions,

and services.

COMMUNITY DEVELOPMENT INVESTMENTS

During the review period, the bank purchased three Delaware State Housing Authority (DSHA) bonds at par value for \$280 thousand. On August 31, 1997, the JCPCB owned a total of four bonds issued by the DSHA that have a total par value of \$685 thousand. The DSHA is a statewide public corporation that is responsible to the State of Delaware Development Office. The mission of the DSHA is to provide safe, decent, affordable housing for low- and moderate-income residents of a broader statewide area that includes the bank's assessment area. The DSHA has a field office in Sussex County to serve the local area. These investments are responsive to the identified credit needs of affordable housing and the rehabilitation of existing housing.

COMMUNITY DEVELOPMENT GRANTS AND CONTRIBUTIONS

Over the assessment period, JCPCB provided approximately \$40 thousand in grants and contributions to thirteen (13) local organizations. All beneficiary organizations provide housing and/or general support services to primarily low-income citizens of the local communities and a broader statewide area that includes the bank's assessment area. Some of the beneficiaries were: Habitat for Humanity, Delaware State Housing Authority, Milford Housing Development Corporation, First State Community Action Agency, People's Place, Aid in Dover, Inc., and the National Council on Agricultural Life & Labor Research Fund, Inc.

COMMUNITY DEVELOPMENT SERVICES

In the assessment area, the president of JCPCB serves numerous community organizations that provide community development services. An example is:

- Director and treasurer of the Delaware 4-H Foundation, an organization that provides developmental opportunities to children, including those from low- and moderate-income families. The foundation's activities serve to develop the children's entrepreneurial and interpersonal skills and raise their self esteem while providing valuable services to the community. The organization provides its members career development skills which help them compete effectively in the workplace. Mr. Crouse is involved in fundraising for the state foundation to support activities throughout Delaware and is involved at the local level as a local club leader in Kent County. The local club works with 65 youths including those from low- and moderate-income families.

Employees of JCPCB serve the community through several other organizations. Examples include:

- Board and vice chair of the Council on Housing for the DSHA. The DSHA actively supports and encourages the public and private sectors in Delaware to assist and meet the housing needs of low- and moderate-income individuals throughout the entire state.
- Committee chairperson for the Occupational Youth Training Program, which receives its funding from the state of Delaware. The program is dedicated to helping low- and moderate-income people over 16 years of age prepare to enter, or transition into, the workplace.
- Presentation of a financial counseling workshop in the low-income neighborhood of Clark's Corner over a six (6) week time frame. The workshop's materials included coverage of basic financial concepts, including credit reports, money management, and mortgage qualification.
- Co-sponsorship of the workshop with the National Council on Agricultural Life and Labor entitled "How to Become a Homeowner." The workshop targeted and reached low- and moderate-income people.

Compliance With Antidiscrimination Laws and Regulations

During the concurrent fair lending examination, we found no violations of the substantive provisions of the antidiscrimination laws and regulations.