



LIMITED PURPOSE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 2, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Credit First National Association
Charter Number: 22594

6275 Eastland Road
Brook Park, Ohio 44142

Office of the Comptroller of the Currency

Credit Card Bank Supervision
7101 College Boulevard, Suite 1600
Overland Park, Kansas 66210-2007

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:

- The bank demonstrates a high level of qualified investment activities and few, if any community development services activity.
- The bank demonstrates no use of innovative or complex qualified investments or community development services.
- The bank demonstrates adequate responsiveness to community development needs in its assessment area.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development (CD) activities from January 3, 2003 through June 2, 2008. We reviewed the level and nature of qualified investments and community development services. At the bank's request, we also considered qualified investments provided by its affiliates. At the prior examination dated January 2, 2003, we rated the bank Outstanding.

If a bank has adequately addressed its assessment area needs, the OCC considers CD activities the bank submits that benefit areas outside of its assessment area in the evaluation of its performance. The bank has adequately addressed the needs of its assessment area, and therefore, outside of assessment area qualified investments were considered in evaluating its performance.

Description of Institution

CFNA is an \$11 million financial institution located in Brook Park, Ohio, a suburb of Cleveland, Ohio. It has no branch offices. CFNA is a wholly-owned subsidiary of Bridgestone / Firestone Retail and Commercial Operations, LLC (BFRC). BFRC is a Delaware limited liability company and is wholly owned by Bridgestone Americas Holding, Inc (BSAH), Nashville, Tennessee. Bridgestone Corporation, which is headquartered in Japan, wholly owns BSAH. Bridgestone Corporation is the largest manufacturer of tires and other rubber products. They currently operate 179 production facilities in 25 nations.

Credit First National Association (CFNA) was chartered on October 19, 1993 under the criteria set by the Competitive Equality Banking Act (CEBA). On January 31, 1996, CFNA received its designation as a limited purpose institution for CRA purposes. CEBA banks are restricted from participation in most activities common to full service banks and primarily engage in credit card operations. CEBA banks may only accept savings and time deposits in amounts of \$100,000 and greater. Additionally, they may not engage in the business of making or purchasing commercial, residential, or retail oriented loans, with the exception of credit card loans.

This prohibition significantly limits CFNA’s ability to help meet community credit needs within its assessment area. See page 10 for a definition of a CEBA bank. CFNA may only engage in CRA activities relating to qualified investments and CD services due to legal restrictions. CFNA’s ability to provide CD services is also affected due to the specialized financial expertise of bank employees. CFNA has a total of 232 employees. Bridgestone / Firestone Trust Fund (BFTF), is a philanthropic arm of BSAH, which provides investment avenues for qualified investments outside the bank’s assessment area.

Table 1 provides financial information relating to CFNA’s financial capacity to help meet the needs of its assessment area. See pages 10 through 12 for definitions of terms. CFNA’s primary business focus is the origination of private label credit cards to the customers of BFRC operated stores (affiliates), participating independent dealers / marketers of Bridgestone products, and certain other automotive product and services dealers, which are unaffiliated with BFRC. The private label credit cards are offered at over 5,000 retail outlets located in all 50 states and the District of Columbia. CFNA’s assets are primarily from the daily sale of the receivables from these private label credit cards to Credit First Funding Company, a wholly-owned subsidiary of BFRC. CFNA’s primary source of income is derived from the merchant fee assessed on sales generated on the proprietary credit cards from the independent dealers. The average amount of pass through receivables (\$368 million), detailed below, represents the outstanding balance of all accounts originated, subsequently sold, and presently serviced by CFNA.

Table 1: Financial Information (000s)

	Year-end 2003	Year-end 2004	Year-end 2005	Year-end 2006	Year-end 2007	Most Recent Quarter-end 03/31/2008	Average for Evaluation Period
Tier 1 Capital	\$2,576	\$3,754	\$4,307	\$6,221	\$9,225	\$8,617	\$5,783
Total Income	\$5,439	\$10,135	\$11,856	\$19,040	\$27,338	\$26,868**	\$16,779
Net Operating Income	\$1,318	\$5,666	\$5,537	\$9,163	\$10,950	\$8,800**	\$6,906
Total Assets	\$6,063	\$6,835	\$6,535	\$9,943	\$11,452	\$11,051	\$8,647
Pass-Through Receivables	\$334,841	\$315,876	\$319,145	\$327,102	\$375,881	\$367,693	\$340,090

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

Description of Assessment Area

CNFA’s assessment area (AA) consists of the entire Cuyahoga County, Ohio. Cuyahoga County is one of six counties in MSA 1608 – Cleveland-Lorain-Elyria, OH MSA. The AA meets all of the requirements of the CRA Regulation and does not arbitrarily exclude any low- or moderate-income geographies.

Cuyahoga County, Ohio is located in northeast Ohio. Cuyahoga County borders Lake Erie and is comprised of urban and suburban areas and consists of 38 cities, 19 villages and 2 townships. The city of Cleveland is the largest city within the county.

Other large cities include Parma, Lakewood, Euclid, Cleveland Heights, Strongsville, North Olmsted, Westlake, North Royalton and Garfield Heights.

As of 2000, the assessment area had approximately 356,221 families. The average 2000 census median family income was \$52,660. As of 2007, the MSA median family income was \$60,700. The percentage of households below the poverty level in the AA is 12.7 percent, higher than the State of Ohio’s poverty level of 10.6 percent. The unemployment rate for Cuyahoga County was 6.1 percent as of December 2007, which is higher than the statewide unemployment rate of 5.6 percent and the nationwide unemployment rate of 4.6 percent.

In 2006, the median monthly housing costs for mortgaged owners was \$1,312, non-mortgaged owners \$508, and renters \$648. Forty percent of owners with mortgages, 23 percent of owners without mortgages, and 51 percent of renters in Cuyahoga County spent 30 percent or more of household income on housing.

Active businesses in Cuyahoga County totaled 29,725 as of December 2006. Employment within Cuyahoga County is distributed among the following: educational, health and social services (25 percent), retail and wholesale trade (14 percent), manufacturing (13 percent), professional and scientific (11 percent), finance (10 percent), arts and entertainment (8 percent), and other (19 percent) sectors. Major employers include American Greetings Corporation, Case Western Reserve University, Cleveland Clinic Health System, Continental Airlines, Ford Motor Company, General Motors Corporation, KeyCorp, National City Corporation, and Progressive Corporation

According to 2000 census information, 108 of the geographies in CFNA’s assessment area are low-income, 117 are moderate-income, 156 are middle-income, 111 are upper-income, and 9 lack sufficient populations to be assigned an income level. As a whole, the assessment area consists of 17 percent of total Ohio geographies (2,934) and 12.3 percent of the state’s population (11,353,140).

Table 2 provides additional demographic data for CFNA’s assessment area.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	501	21.56%	23.35%	31.14%	22.16%
Families	356,221	23.77%*	18.46%*	21.07%*	36.71%*
Businesses	83,780	11.66%**	18.69%**	33.36%**	35.18%**

Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data.

9 (1.80 percent) Census Tracts are not income categorized

*Represents families by income level. Does not add to 100% due to rounding.

**Represents businesses by income level of census tract.

Affordable rental housing, foreclosure counseling and financial literacy training were identified as the main credit and non-credit needs of Cuyahoga County.

According to the Cuyahoga Metropolitan Housing Authority, renters with incomes less than 30 percent of the area median income (AMI) have a great cost burden in regards to housing affordability in Cleveland, East Cleveland and the Cuyahoga Urban County.

In Cleveland, 67 percent of renters earning less than 30 percent AMI pay more than 30 percent of their income for rent and utilities. In East Cleveland, 70 percent of renters earning less than 30 percent AMI pay more than 30 percent their income for rent and utilities. In the Cuyahoga Urban County, which comprises most of the suburban population, 76 percent of its renters earning less than 30 percent AMI pay more than 30 percent of income for rent and utilities.

During 2007, Cuyahoga County had about 15 thousand foreclosure filings. This is up 15 percent from the previous year. According to the Ohio Foreclosure Prevention Task Force, the high level of foreclosures in many communities has resulted in a rapid increase in the number of vacant and abandoned houses, accelerating the cycle of falling values and shrinking demand. A Cleveland study found that more than half of the vacant properties had a foreclosure associated with them. The loss of population and jobs in many Ohio communities has created weak markets that defy traditional redevelopment strategies.

Opportunities for CD services and qualified investments other than grants and donations do exist within CFNA's assessment area. However, CFNA's ability to take advantage of these opportunities is somewhat limited due to the nature of its operations and tremendous competition from larger, full-service banks. These opportunities include low-income housing tax credits, CD and low-income financial institutions, affordable housing revenue bonds issued by the State of Ohio, non-profit housing organizations, credit counseling agencies, community housing development organizations, community action agencies, and non-profit organizations that provide social services to low- and moderate-income individuals.

Conclusions about Performance

Summary

During the evaluation period, CFNA originated a high level of qualified investments given the legal restrictions and available opportunities for a limited-purpose bank. There is also significant competition for CD Investments from full-service financial institutions within the bank's AA. Positive consideration was also given for investments made by BFTF, outside of CFNA's AA.

CFNA's CD activities are neither innovative nor complex. CFNA's narrow product line, limited expertise outside of credit cards, and relatively small staff restricts its involvement in complex or innovative CD activities.

CFNA has exhibited adequate responsiveness to the CD needs of its AA. CFNA provided funding to organizations that provide affordable housing and social services to low- and moderate-income individuals.

Following Hurricanes Katrina and Rita in 2005, the Federal Banking Agencies encouraged insured depository institutions to consider all reasonable and prudent actions that could help meet the critical financial needs of their customers and their communities. Because the bank adequately met the CRA-related needs of its local community, we gave positive consideration for activities that support the revitalization and stabilization of this "federally-designated disaster area." CFNA was responsive to the needs to their customers affected by these hurricanes by deferring credit card payments for 90 days.

In addition, the bank waived a total of almost \$1.2 million in finance charges and late payment fees. This temporary hardship program helped to facilitate recovery efforts throughout the affected areas.

Qualified Investments

CFNA or its affiliate has made over \$186 thousand in qualified investments to ten organizations that serve low- and moderate-income persons within the bank’s AA. In addition, BFTF made over \$2 million in qualified investments to 29 community development organizations outside of CFNA’s AA. The level of qualified investments is high given the limitations of the bank’s operations, financial condition, and available opportunities. Table 3 identifies the total dollars of qualified investments. Table 4 provides a breakdown of the bank’s investment activity in relationship to its financial capacity.

All of CFNA’s qualified investments considered during the evaluation period were grants and donations. There were no prior period qualified investments that were still outstanding. CFNA’s qualified investments are similar to those routinely made by other institutions and private investors. This is adequate due to their narrow product line, limited expertise, and relatively small staff.

Table 3: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	\$0	\$0	\$0
Originated Grants	\$186	\$2,066	\$2,252
Prior-Period Investments that Remain Outstanding	\$0	\$0	\$0
Total Qualified Investments	\$186	\$2,066	\$2,252

Table 4: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	3.22	35.72	38.94
Total Investments/Average Total Income	1.11	12.31	13.42
Total Investments/Average Pass-Through Receivables	0.05	0.61	0.66

CFNA has been responsive to many needs of the bank’s AA. The bank has made grants and donations to the following types of organizations whose primary clientele are low- and moderate-income individuals: affordable housing organizations (\$78 thousand), health care organizations (\$42 thousand), consumer credit counseling agencies (\$24 thousand), food service organizations (\$13 thousand) and various other social service agencies (\$29 thousand).

Since CFNA adequately met the community development needs of its AA, consideration was given for grants and donations made by BFTF to agencies outside of the bank’s AA.

These included \$1.7 million to consumer credit counseling agencies, \$77 thousand to social services for abused women or homeless individuals, \$64 thousand to affordable housing organizations, \$49 thousand to food bank organizations, \$5 thousand to health care organizations and \$92 thousand to various other social service agencies. All these agencies targeted low- or moderate-income individuals.

A discussion of the more significant CFNA's qualified investments is detailed below.

Affordable Housing

- CFNA donated almost \$34 thousand to a non-profit organization that constructs and provides new and fully renovated single-family housing to low- and moderate-income families. This organization's programs provide various pathways out of poverty for very low-income families and teach low- to moderate-income working families how to build wealth and increase self-determination. This organization also provides funds to rehabilitate existing housing stock and for the weatherization of houses. Additionally, they operate a family services program that assists individuals in getting off the welfare rolls by providing day care, transportation, housing assistance, and job training services. Annually, this organization provides homes to between 50 and 100 persons and provides counseling or group classes to 2,500 individuals.
- CFNA donated just under \$35 thousand to a non-profit organization that constructs and provides new single-family housing to low- and moderate-income families living in the greater Cleveland area and Cuyahoga County. This organization also provides interest free financing and training (which includes budgeting, financial literacy, homeownership and maintenance) for families accepted in their program. The organization provides between 14 and 20 new single family homes annually.
- CFNA donated \$10,000 to an organization that provides temporary housing and social services to neglected, orphaned, and abused children residing in Cuyahoga County. The children primarily come from homes of low- and moderate-income families.
- BFTF donated almost \$64 thousand to seven non-profit organizations that construct and provide new single-family housing to low and moderate-income families residing in Bloomington, Illinois; Indianapolis and Westfield, Indiana; Oakland County, Michigan; Akron, Ohio; Aiken County, South Carolina; Warren County, Tennessee; and Orange, Texas.

Consumer Credit Counseling Services

- CFNA donated \$11 thousand directly to an organization that helps low- and moderate-income people learn to manage money, balance their budgets and get out of debt through comprehensive personal finance education and credit counseling.
- CFNA contributed almost \$13 thousand inside and \$1.8 million outside of the bank's AA to various non-profit consumer credit counseling service organizations under the "Fair Share" program. Financial institutions that use the services of the consumer credit counseling service to assist their customers with financial difficulties.

Health Care

- CFNA donated \$25 thousand to a non-profit organization that operates a visiting nurse program that provides health information, access to services, and counseling primarily to low- and moderate-income individuals residing in Cuyahoga County. This program allows individuals to receive medical services inside their residences.
- CFNA donated \$17 thousand to a local health center with proceeds used to fund a program that assists low- and moderate-income at risk seniors in receiving needed health and social services. Once the at risk senior is identified, a social worker and a registered nurse visit the individual in their home and identify what services are needed to allow the individual to live a safe and independent life. The individual then is provided assistance in obtaining the needed services. This program has assisted over 180 Cuyahoga County individuals each year.

Food Donation

- CFNA donated over \$12 thousand to a non-profit organization that provides fresh produce, meats, and other food items to low- and moderate-income families residing in the bank's AA. Close to 11 thousand people were assisted in 2007.
- BFTF donated over \$49 thousand to five non-profit organizations that provide food to low- and moderate-income families residing in Raleigh, North Carolina; Akron, Ohio; Nashville, Tennessee; and Oklahoma City, Oklahoma.

Other Social Services

- CFNA donated \$25 thousand to a non-profit organization that provides early intervention services to low- and moderate-income families who have infants and toddlers with disabilities. The organization served nearly 400 families and 500 children in 2007.
- BFTF donated over \$81 thousand to a non-profit organization that provides an array of social services primarily to low- and moderate-income individuals residing across the United States. The social services that are provided include temporary housing, medical care, meals, youth recreational activities, counseling services, disaster relief, and job training.
- BFTF donated over \$11 thousand to a non-profit organization that provides training and job placement assistance to primarily low- and moderate-income individuals residing in Akron, Ohio.

Social Services for the Homeless or Battered Women Shelters

- BFTF donated \$57 thousand to 11 non-profit organizations that provide shelter, food, health care, and job training to homeless individuals residing in Louisville, Kentucky; Bloomington and Elgin, Illinois; Indianapolis and South Bend, Indiana; Akron, Ohio; Oklahoma City, Oklahoma; Nashville, Tennessee; and Beaumont, Texas.

- BFTF also donated almost \$20 thousand to two non-profit organizations that provide emergency shelter, rehabilitative services, counseling, court advocacy, job and housing placement, and community referrals to women and children who have been the victim of domestic abuse. These organizations serve the areas of Lake Charles, Louisiana and Wilson, North Carolina.

Community Development Services

CFNA did not provide any CD Services for us to consider as part of this performance evaluation.

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.

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.

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.