



**LIMITED PURPOSE**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **Public Disclosure**

August 7, 2006

# **Community Reinvestment Act Performance Evaluation**

**TCM Bank, National Association  
Charter Number: 23363**

**2701 North Rocky Pointe Drive  
Tampa, FL 33607**

**Office of the Comptroller of the Currency  
Credit Card Bank Supervision  
3 Ravinia Drive, Suite 550  
Atlanta, Georgia 30346**

**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 the safe and sound operations 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 an adequate level of community development services and qualified investment activity, particularly investments that are not routinely provided by private investors.
- The bank demonstrates no use of innovative or complex qualified investments and community development (CD) services.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area (AA).

## **Scope of the Examination**

In evaluating the bank's performance under the CRA, we reviewed CD activities from February 5, 2001 through August 7, 2006. We reviewed the level and nature of qualified investments and CD services. At the bank's request, we also considered qualified investments and CD services provided by its parent company, Independent Community Bankers of America (ICBA). At the prior examination dated February 5, 2001, 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, and therefore, outside of AA qualified investments and community development services, all of which originated from ICBA, were considered in evaluating its performance.

## **Description of Institution**

TCM Bank, National Association (TCM) operates one office in Tampa, Florida. It opened for business May 18, 1998, with approval as a limited purpose bank for CRA and operating under the provisions of the Competitive Equality Banking Act of 1987 (CEBA).

TCM is a wholly owned subsidiary of ICBA Bancard, Incorporated (ICBA Bancard), which is wholly owned by ICBA Services Network, Inc. (ICBASN), which is owned by ICBA. ICBA is a tax-exempt trade association that represents the interests of the community banking industry – approximately 5,000 members. ICBA Bancard is a direct issuer of credit cards to approximately 1,500 of its members. These banks, through their credit card portfolios, pay ICBA Bancard a percentage of the transactions on accounts. In return, member banks are provided services at an affordable cost.

In 1998, Bancard founded TCM Bank, N.A. to facilitate community banks' participation in the credit card market and help preserve their customer relationships by offering a competitive, professionally managed agent bank card program, Total Card Management. TCM generally establishes an agent relationship with banks that want to sell their portfolios and exit the credit card business. This keeps

each bank’s identity visible to its customers subsequent to the portfolio purchase. TCM offers general purpose VISA and MasterCard products.

TCM does not accept retail deposits or make commercial loans. The bank funds credit cards through wholesale deposits made up of short term, fixed rate certificates of deposit (certificates) from ICBA members. Additional funding is obtained from three-year variable rate certificates, which are required from agent banks as a condition of offering customers a credit card through the TCM program.

At March 31, 2006, TCM’s total assets were \$131 million. To date, TCM has purchased credit card receivables from 359 community banks located in more than 44 states. TCM currently has 145,796 credit card accounts, none of which are in Tampa, the largest city in Hillsborough County. Net loans totaled \$109.2 million. Remaining assets consisted of Federal Funds Sold (\$8.7 million), securities (\$0.7 million), intangible assets (\$7.5 million) and other assets (\$4.9 million). There has been no merger or acquisition activity since the bank opened. Deposits totaled \$109.2 million, all of which were from other depository institutions.

As a CEBA credit card bank, TCM must engage only in credit card operations and must not: (1) accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others; (2) accept any savings or time deposits of less than \$100,000; (3) maintain more than one office that accepts deposits; or (4) engage in the business of making commercial loans.

**Table 1: Financial Information (000s)**

	Year-end 2001	Year-end 2002	Year-end 2003	Year-end 2004	Year-end 2005	Most Recent Quarter-end 3/31/2006	Average for Evaluation Period
<b>Tier 1 Capital</b>	\$6,431	\$6,363	\$8,613	\$ 10,575	\$ 12,295	\$13,134	\$9,569
<b>Total Income</b>	\$ (423)	\$ (1,144)	\$529	\$1,082	\$1,556	\$2,225**	\$638
<b>Net Operating Income</b>	\$ (279)	\$ (755)	\$349	\$714	\$1,027	\$1,468**	\$421
<b>Total Assets</b>	\$57,487	\$69,051	\$90,567	\$123,634	\$139,906	\$131,083	\$101,955

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

## Description of Assessment Area

TCM has designated Hillsborough County, Florida as its AA. The AA meets regulatory requirements and does not arbitrarily exclude any low- and moderate-income census tracts. Hillsborough County is a densely populated urban area and is one of four counties in the Tampa metropolitan statistical area (MSA). Hillsborough County comprises 43% of the population of the Tampa MSA. According to 2000 census data, total population for the AA was 998,948, which represents a 20% increase since 1990. The most recent Department of Housing and Urban Development updated median family income for 2005 was \$54,400. The median housing price for Hillsborough County in 2005 was \$100,069 with the average home being built in 1977. The housing market is considered to be highly overpriced with house prices increasing 75% during the past four years. This increase has negatively impacted affordability. It is, however, unlikely that double-digit growth will continue. Household incomes for 12% of the population were below the poverty level.

Hillsborough County is primarily a working class community and has not relied heavily on tourism, as have other Florida cities. Hillsborough County is often selected as a place to test products because of its diverse mix of people and income classes. It is almost a virtual replica of the United States on a smaller

scale. The city of Tampa is the largest urban city in the MSA and contains the largest number of low-income residents of any city in Hillsborough County.

The Tampa economy continues to expand far above the national average. Construction and professional and business services are driving current expansion. Unemployment rate in the AA is 2.8% which is slightly lower than the state and well below the national average of 5.1%. There is a high rate of illiteracy and non-high school graduates within the AA. Consequently, a large portion of the labor force has jobs at the low end of the pay scale. The governmental sector is the area’s largest employer followed by employment services, food services and the health care industry.

**Table 2: Assessment Area Description**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tracts</b>	249	5%	23%	37%	35%
<b>Families</b>	256,882	19%*	17%*	21%*	44%*
<b>Businesses</b>	105,654	3%**	25%**	32%**	40%**

Source: Demographic Data - 2000 U.S. Census, Dun & Bradstreet Data. \*Represents families by income level.

\*\*Represents businesses by income level of census tract.

Community credit needs and opportunities were determined from a number of sources. The City of Tampa’s Consolidated Plan describes a focus on affordable housing particularly in East Tampa and the Mayor’s Heights Project. Additionally, small business loans are viewed as an important component in revitalizing neighborhoods.

During the evaluation period, OCC representatives met with community organizations in the AA whose efforts were focused on affordable housing and small business development.

## Conclusions About Performance

### Summary

- The bank’s overall level of CD activities is adequate, particularly considering the opportunities available for limited purpose banks and the bank’s small staff. During the evaluation period, the bank invested \$500 thousand in the AA with an additional \$250 thousand in commitments. TCM employees provided financial education presentations to local high school students located in moderate income areas within the AA. The parent company, ICBA, also invested \$34 thousand in low- and moderate-income housing projects in communities outside the bank’s AA.
- TCM’s CD activities are neither innovative nor complex. TCM’s narrow focus, expertise and small staff limit its ability for involvement in complex CD activities.
- Bank activities are responsive to identified needs – in particular, affordable housing and small businesses in low- and moderate-income areas.

**Qualified Investments**

During the evaluation period, the bank funded approximately \$500,000 in qualified investments inside the AA and \$34,000 outside the AA. TCM has also recently committed to fund an additional \$250,000 of qualified investments. The investments are not innovative or complex, but are responsive to the CD needs of the community. Table 3 summarizes the bank’s investment activity.

**Table 3: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>	<b>Outside AA</b>	<b>Totals</b>
<b>Originated Investments</b>	\$500	\$0	\$500
<b>Originated Grants</b>	\$1	\$34	\$35
<b>Prior-Period Investments that Remain Outstanding</b>	\$0	\$0	\$0
<b>Total Qualified Investments</b>	\$501	\$34	\$535
<b>Unfunded Commitments*</b>	\$250	\$0	\$250

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

**Table 4a: Qualified Investment Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	5.2%	.3%	5.5%
<b>Total Investments/Average Total Income</b>	78.5%	5.3%	83.8%

In 2004, the bank invested \$500 thousand in the CRA Qualified Investment Fund for the purchase of Housing Finance Authority of Hillsborough County Multifamily Housing Revenue Bonds. These bonds financed Brandon Crossing Apartments, a Low Income Housing Tax Credit property in Hillsborough County. A 100% of the units in this property are restricted to tenants with incomes at or below 60% of area median income.

Over the evaluation period, the bank’s parent company, ICBA, made three donations totaling \$34 thousand to Habitat for Humanity in Las Vegas, NV; San Antonio, TX; and, San Diego, CA. These monies help defray the cost of building homes for low- and moderate-income families.

In June 2006, the bank made a commitment to invest \$250 thousand in the Solomon Hess Small Business Administration (SBA) Loan Fund. This is a Community Development Financial Institution (CDFI) certified Community Development Entity. The fund invests in the SBA guaranteed portion of SBA 7(a) loans to small businesses located in low-and moderate-income areas or to businesses that employ low-and moderate-income persons. The fund specifically targets small businesses (annual gross revenues less than \$1 million) located in low- and moderate-income census tracts in the bank’s AA; small businesses located in the State of Florida Tampa Enterprise Zone; or small businesses located in census tracts in the AA that are considered economically distressed. As of this evaluation date, the SBA Loan Fund has acquired one loan for \$24 thousand in the bank’s AA. TCM has committed to advance the full amount of this commitment by October 5, 2006.

### **Community Development Services**

TCM provided an adequate level of CD services. In 2001, TCM partnered with the Hillsborough County School System to offer periodic financial-related training as part of the social studies or economic curriculum. This training was conducted in various high schools located in moderate income census tracts. A majority of the students attending these schools are from low-and moderate-income households.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination 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 MAs (using the MA 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 benefits a 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.

**Block Numbering Area (BNA)** – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

**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 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.

**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 or a block numbering area 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 Area (MA)** – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Net Operating Income** – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

**Qualified Investment** - A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**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.