

Washington, DC 20219

## **Public Disclosure**

March 6, 2000

### **Community Reinvestment Act Performance Evaluation**

**Fleet Bank (Rhode Island), N.A.  
Charter Number 23536  
111 Westminster Street  
Providence, RI 02903**

**Comptroller of the Currency  
Large Bank Supervision  
250 E Street, S.W.  
Washington, D.C. 20219**

**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 **Fleet Bank (Rhode Island), N.A.**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 6, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout the Performance Evaluation. The definitions are intended to give the reader a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by 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 which 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.

**Benefits to Assessment Area** - A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, (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.

**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 bank being considered a bank 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 thousand (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 ten-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 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. A limited-purpose institution continues to meet the narrow product line requirement if it only infrequently provides other types of loans. The institution must apply to and receive from its regulator a designation as limited purpose.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above and below it.

**Low-income Family or Geography** - An income level that is less than 50 percent of the MFI.

**Moderate-income Family or Geography** - An income level that is at least 50 percent and less than 80 percent of the MFI.

**Middle-income Family or Geography** - An income level that is at least 80 percent and less than 120 percent of MFI.

**Upper-income Family or Geography** - An income level that is 120 percent or more of the MFI.

**Metropolitan Statistical Area (MSA)** - Area defined by the United States Office of Management and Budget (OMB). MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Net Operating Income** - As defined by the Consolidated Report of Condition and Income, income before adjusting for extraordinary items.

**Pass Through Receivables** - Outstanding receivables tied to all accounts issued or owned by the bank. The bank provides this information.

**Tier I 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 defined by the Consolidated Report of Condition and Income.

**Total Income** - As defined by the Consolidated Report of Condition and Income, interest income plus noninterest income.

## Scope of the Examination

This CRA Performance Evaluation covers the period October 14, 1997 through December 31, 1999 (“evaluation period”). Fleet Bank (Rhode Island), N.A. (FBRI) is designated a limited purpose bank. As a limited purpose bank, FBRI’s CRA performance is reviewed pursuant to the Community Development Test. This test evaluates the level and nature of investments, loans and services which have a purpose of community development as defined in the CRA regulation. FBRI presented qualified investments and grants for evaluation. At the bank’s option, we considered community development activity provided by its affiliates. One element of Fleet Boston Financial Corporation’s (FBFC) strategy has been to “share” certain investments, usually allocating them on a 30/70 split between FBRI and Fleet National Bank (FNB) which also operates in the Providence/Fall River, RI-MA MSA.

Time Period Reviewed		October 14, 1997 through December 31, 1999	
Financial Institution		Products Reviewed	
Fleet Bank (Rhode Island), N.A.		Community development investments and grants.	
Affiliate		Affiliate Relationship	
Fleet Development Ventures		Holding Company Affiliate	
Fleet National Bank		Holding Company Affiliate	
Assessment Area			
Providence, R.I-MA MSA 6480			

## Institution’s CRA Rating

**Fleet Bank (Rhode Island), N.A.** is rated “Satisfactory”. This is the first CRA examination conducted for this bank. No prior ratings have been assigned.

The major factors supporting this rating include:

- FBRI demonstrates an adequate level of community development investments and grants totaling \$13.3 million.
- FBRI has occasionally used innovative and complex qualified investments to meet the community development needs of its assessment area.
- FBRI demonstrates adequate responsiveness to the community development needs in its assessment area.
- Compliance with Fair Lending laws and regulations was noted.

## **Description of Institution**

FBRI, a subsidiary of FNB, headquartered in Providence, Rhode Island, originates and acquires credit card accounts. FNB operated a credit card business that was regional in focus until early 1998, when it purchased the Advanta credit card portfolio, then the 10<sup>th</sup> largest in the United States. FBRI acquires its accounts through direct mail, telemarketing and Internet solicitations. Though still considerably smaller than the largest of the credit card companies, FBRI with assets of more than \$6.5 billion and another \$9 billion under management, is now the 8<sup>th</sup> largest credit card operation in the country.

FBRI was designated a limited purpose bank for purposes of the Community Reinvestment Act on October 14, 1997. Its activities are limited to those credit card activities described in 12 U.S.C. § 1841(c)(2)(F). FBRI is chartered under the Competitive Equality Banking Act (CEBA) of 1987 which limits its operation as a full service banking institution, and restricts its lending to credit cards. Its principal offices are located at 111 Westminster Street in Providence, although presently no employees work from this location. Nearly half of FBRI's 3000+ employees work at its operations center in Horsham, Pennsylvania, a suburb of Philadelphia. The company's other facilities are located in Colorado, Delaware and New York.

During its first two years of operations, FBRI has relied heavily upon its affiliates, especially FNB, to identify opportunities and make CRA investments on its behalf in the Providence assessment area. One element of FBFC's strategy has been to "share" certain investments between FBRI and FNB. This close collaboration is expected to continue since it ensures both that the community is well served and that internal competition for investment opportunities is avoided.

FNB is a wholly owned subsidiary of FBFC, a \$190.7 billion diversified financial services company serving some 20 million customers through 5,750 outlets. FBFC's businesses include: commercial and consumer banking, institutional and investment banking, cash management, trade services, export finance, mortgage banking, commercial finance, asset-based lending, commercial real estate lending, equipment leasing, government banking, investment management services, private equity investments, credit cards, discount brokerage services, and student loan processing. Since its October 1999 acquisition of BankBoston Corporation, FBFC now offers full-service banking in Latin America. The eighth largest bank holding company in the country; FBFC is headquartered in Boston and listed on the New York Stock Exchange.

FBRI typically sells a portion of its receivables. Approximately 60 to 64 percent of the receivables were securitized and sold during 1998 and 1999, respectively. Table 1 highlights basic financial information regarding the bank.

**Table 1: Financial Information (\$000)**

	Year-end 1998	Year-end 1999	Most Recent Quarter-end 12/31/99	Average for Evaluation Period
Tier 1 Capital	661,655	942,478	942,478	802,067
Total Income	1,101,251	1,294,921	1,379,440*	1,198,086
Net Operating Income	133,385	144,511	207,280*	138,948
Total Assets	7,232,415	6,588,395	6,588,395	6,910,405
Pass Through Receivables	14,485,370	14,172,926	14,172,926	14,329,148

Source: 1998, 1999 Consolidated Report of Condition and Income and bank reported data. \*Annualized data reported.

### Description of Assessment Area

F BRI designates its assessment area as the Providence/Fall River, RI-MA MSA. At the time of the last census, the population for this MSA was just over one million people. The assessment area contains 255 census tracts, of which 251 are populated. Twenty-seven percent of the population live in low- and moderate-income (LMI) census tracts, more than half of them in the major cities of Providence and Fall River. Significant concentrations exist as well in Pawtucket, Woonsocket and Central Falls, all older, industrial cities. Thirty-seven percent of the total families are considered to have low- or moderate-incomes, including 11% who live below the poverty level. The poverty rate is almost twice that in Providence and Central Falls. The median family income (MFI) of \$48,100 is significantly lower than in the surrounding areas where FNB maintains a presence. Rhode Island is the smallest and second most densely populated state in the country. The area also has one of the oldest populations. The proportion of the adult population having a college degree or better is only 20%, one of the lowest of all the New England metropolitan areas.

Rhode Island's economy appears on the upswing; however, for most of the evaluation period, the area experienced high unemployment and slow economic expansion relative to the rest of Southern New England. As of January 2000, the state's unemployment rate of 3.8% is higher than the rest of the region, but lower than the national rate of 4%. Housing prices are lower than in surrounding states and rose more slowly during the exam period, but are now growing at a healthy 4.5% annual rate. Home sales activity remains strong, but a shortage of units on the market slowed the rate of increase to just 8% in 1999 as compared to a 21% increase a year ago. Building is particularly strong and growing faster than in the region. Nonetheless, affordability remains a challenge for the area's low- and moderate-income families.

The new Providence Place Mall provides a regional retail magnet, long missing from the state. Major employers include FNB, Blue Cross Blue Shield of Rhode Island, Lifespan & Care New England, The Providence Journal, International Packaging Company, American Insulated Wire Corp., Nortek Inc., and School House Candy Company. Providence produces a variety of manufactured goods, including metal and machine tools, silverware, and rubber goods, and has a major port, including petroleum products for distribution in southern New England. It has begun to attract back-office operations for major financial services firms including FNB and Fidelity, and is expected to continue this migration into the financial services industries as well as make a push into the high-tech arena. Still it remains highly concentrated in manufacturing industries with major low-cost foreign competitors and faces some negative demographic trends. During the prolonged economic downturn of the past decade, the state experienced a drop in population, the result of significant migration to other states. As a result, its prospect for job growth is less favorable than the rest of New England. The city of Providence is home to

Brown University; Rhode Island College; Providence College; and Johnson and Wales College; and The Rhode Island School of Design.

Two community contacts, engaged with business and labor groups and economic development, identified small business loans, credit for higher-risk start-ups, and venture capital for growing small businesses, as credit needs.

Table 2 presents the demographic data of FBRI's assessment area.

**Table 2: Assessment Area Description**

Demographic Characteristics	Number	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Geographies (Census Tracts)	255	4.3	22.4	53.7	18.0	1.6
Distribution of Families by Geography	297,759	1.9	18.9	59.4	19.8	0
Small Businesses by Geography	37,653	5.0	17.3	58.7	19.0	0

Source: 1990 U.S. Census and 1999 HUD updated MFI.

## Conclusions with Respect to Performance

### Summary

FBRI demonstrated adequate performance in helping to meet the community development needs of the assessment area, including the credit needs of LMI individuals and small businesses through investments and/or grants. Since FBRI's charter restricts its lending to credit cards, it cannot directly originate community development loans. However, through its targeted investments, the bank has provided low cost funds for affordable housing and rehabilitation in distressed areas of its assessment area. FBRI provided grant support to numerous community development organizations to fund their operations and programs.

### Qualified Investments and Grants

FBRI made \$12.7 million in qualified investments, and extended \$633 thousand in qualified grants during the evaluation period. All of the investments are within FBRI's assessment area as well as most of the grants. The level, innovation, and responsiveness of the bank are adequate and described in the following paragraphs on some of the individual investments. In addition, Table 3 provides an overview of the qualified investment activity through community development investments and grants. Table 4 provides a breakdown of the bank's investment activity in relationship to its financial capacity.

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

	Benefits AA	Outside AA	Totals
Originated Investments	12,709	0	12,709
Originated Grants	621	12	633
Prior Period Investments	0	0	0
Totals	13,330	12	13,342



**Table 4: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
Total Investments/Average Tier 1 Capital	1.66
Total Investments/Average Total Income	1.11
Total Investments/Average Receivables	0.09

Note: Total Investments is found in Table 3. Average capital, income and receivables are found in Table 1.

### ***Low Income Housing Tax Credits (LIHTC)***

#### ***Bristol Assisted Living***

FBRI's \$2.5 million LIHTC investment in Bristol, Rhode Island took advantage of several government-supported programs to make rental housing affordable to LMI seniors. This development involved the rehabilitation of three vacant buildings into 92 units of affordable assisted living. The subject facility is adjacent to an existing 96 units of affordable elderly housing, creating an elder campus in which seniors can age in place, share services, and participate in joint programming. Through the use of various forms of tax credits, the project was able to utilize equity as the primary source of construction funding. Upon completion, financial support to the residents will be provided under the Medicare Waiver Program. The use of entitlement programs such as the Rhode Island (RI) State Medical Waiver Program will enable low-income residents to receive extra funds to pay the personal care portion of the projected monthly rent. This state-run, Medicare funded, program was established in 1991 as a cost-effective alternative to nursing home care for low-income seniors in Massachusetts. RI is just beginning to use the program. Bristol Assisted Living has been allocated 68 Medicare Waivers. The remaining 24 units will be market rate. This investment is innovative because of its use of the RI Medical Waiver Program, which is just beginning to be used in RI.

#### ***Elmwood Commons***

Elmwood Commons is a \$750 thousand LIHTC investment in South Providence. This is a rehabilitation of 30 units of rental housing. FBRI's investment in these buildings enabled the completion of renovations necessary to protect and preserve the units for affordable housing. Additional financing sources utilized to complete this project included two loans from Rhode Island Housing Finance Agency and grants provided by City and State HOME programs.

### ***Equity Equivalentents***

#### ***Jobs for Fall River, Inc. (JFFR)***

In 1999, Fleet Development Ventures (FDV) purchased a \$375 thousand equity equivalent investment for FBRI in JFFR, a certified community development financial institution. An additional \$375 thousand will be funded during 2000 contingent upon JFFR obtaining match funding. FBRI's investment will be used for the purpose of creating JOBS 2000 Revolving Loan Fund. The mission of this loan fund is to target and create service sector job opportunities for the LMI population by providing low interest gap financing to local businesses. Fifty-one percent of all new jobs created will be made available to low-and moderate-income individuals. The equity equivalent is an innovative CRA investment that creates equity for non-profit community development financial institutions while providing enhanced CRA credit to bank investors. This process is materialized through a complex accounting process that basically allows it to act as equity through long-term subordinated debt that leverages JFFR's borrowing capabilities.

*West Elmwood Housing Development Corporation (WEHDC)*

FDV purchased a \$500 thousand equity equivalent investment in WEHDC for FBRI, a non-profit affordable housing developer and community development corporation. FBRI will fund an additional \$500 thousand during 2000 contingent upon WEHDC obtaining match funding during 1999. This investment enables WEHDC to initiate new lending programs and increase its lending capacity. Since 1986, WEHDC has successfully carved out a niche in affordable housing development. WEHDC's entire budget is directed to affordable housing projects. WEHDC also provides a Small Home Repair Loan financing program for low- and moderate-income individuals in the West Elmwood neighborhood. WEHDC has worked closely with FBFC allowing them to be a full service lender through various lending programs. FBRI will be the largest investor in WEHDC through bond funds.

*Woonsocket Neighborhood Development Corporation (WNDC)*

FDV purchased a \$750 thousand equity equivalent investment in WNDC for FBRI, a non-profit community development corporation in Woonsocket, Rhode Island. An additional \$750 thousand will be funded in 2000. The second year funding is also contingent upon obtaining match funds in 1999. WNDC is the only non-profit affordable housing developer and community corporation in northern Rhode Island. WNDC has proposed a comprehensive array of affordable housing, economic development, education, cultural and childcare investments that will improve community stability and neighborhood revitalization. More than 125 homes and apartments have been completed since 1994 and WNDC's programs and projects have directly served over 200 families and individuals. WNDC has targeted the Constitution Hill and Fairmont neighborhoods as a revitalization initiative. These two neighborhoods have become two of the poorest in the city. Two of the biggest assets that will improve these neighborhoods are a million dollar initiative, titled Connecting For Children and Families, by the Rhode Island Foundation, to improve family life and educational outcomes for neighborhood families and secondly, a multi-year, multi-million dollar housing renewal program by WNDC. This effort will help to eliminate abandoned housing in the Constitution Hill neighborhood.

***Other Investments***

*Zero Stage Capital VI (ZSC VI)*

FDV has made a \$2 million investment in ZSC VI, \$500 thousand of which is being assigned to FBRI. Zero Stage Capital has developed a franchise in early-stage investing and expertise in working with the Small Business Administration's Small Business Investment Corporation (SBIC) license program. They were the first venture firm to receive a SBIC license under the revised SBIC license program in 1992 for their Capital V fund. Zero Stage is structured as a SBIC License Program. Since its inception, Zero Stage has invested in 88 companies, achieved 19 initial public offerings, and created more than 5000 jobs. Their geographic scope encompasses the northeast corridor, from New England to Washington D.C. with emphasis within FNB's primary area of business including Rhode Island, Massachusetts, and New Hampshire. FBRI's \$500 thousand investment has been used entirely inside the assessment area and specifically to three start-up small businesses.

*Oasis Community Development Federal Credit Union (Oasis)*

This is a \$200 thousand investment in the form of a deposit with a low-interest return (3%) to FBRI. The sole purpose of the credit union is to provide the low-income community in the Empowerment Zone access to capital and to strengthen the ability of its members to successfully fulfill their financial goals. Products and services currently offered include small personal/consumer loans, savings accounts, money orders, traveler's checks, vacation and Christmas Clubs, and credit counseling programs. The Oasis Credit Union is the first "low-income" designated credit union in the State of Rhode Island.

### *Central Falls School Bond Anticipation Notes*

FNB was awarded a \$5 million bond in 1998, \$1.5 million of which was allocated to FBRI. The notes were used for various school purposes. Central Falls is an economically depressed area. More than half of the total families have low- and/or moderate- incomes. There are no middle or upper income tracts in Central Falls. Approximately one quarter of the households is below the poverty level. Nearly one hundred percent of the student enrollment is either eligible for free or reduced luncheons.

### **Grants**

During the evaluation period, FBRI made \$633 thousand in grants of which \$621 thousand were within the assessment area. The monies went to various organizations that engage in affordable housing rehabilitation, or promote community development in low- and moderate-income areas for low- and moderate-income individuals. Some examples of the more significant grants provided are:

#### *South Providence Development Corporation (SPDC)*

A \$250 thousand grant was made to the SPDC. The funds will be used to purchase and renovate commercial real estate in the Medical Enterprise Zone on the south side of Providence. South Providence has many blighted properties. Many residents live in poverty and do not have high school diplomas. The community has needs for infrastructure investment to improve residential and business conditions. Upon purchase by the SPDC, it will be put to use as an incubator primarily for environmentally related businesses that will become part of SPDC's New Village Industries program. One hundred thousand dollars will be for "Patient Investment Loans" to be made by the SPDC to New Village Industries companies that are consistent with its mission to create jobs and revitalize the Southside economy.

#### *West Elmwood Housing Development Corporation (WEHDC)*

A \$100 thousand grant was made to WEHDC whose mission is enabling home ownership and community and economic development. Fifty thousand will be for a loan loss reserve required to meet a loan covenant for the related equity equivalent described previously. The remaining \$50 thousand will be for operating funds. A portion will be used to employ a rehabilitation loan specialist for the Home Repair Loan and mortgage programs at WEHDC.

### **Fair Lending**

We reviewed fair lending as part of the Consumer Compliance Examination during March 2000. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.